DOCUMENT RESUME

ED 058 480 AA 000 784

AUTHOR	Jones, Thomas H.
TITLE	Review of Existing State School Finance Programs. Volume I. A Commission Staff Report.
INSTITUTION	President's Commission on School Finance, Washington, D.C.
PUB DATE	71
NOTE	166p.
EDRS PRICE	MF-$0.65 HC-$6.58
DESCRIPTORS	*Court Litigation; *Educational Finance; Equal Education; Equalization Aid; Expenditure Per Student; Grants; Local Government; *Resource Allocations; *School Support; *State Aid; Tax Effort

ABSTRACT

This volume of a two-volume report presents a study of how existing State school finance formulas operate. Volume I contains five chapters. The first chapter discusses the beginnings of modern systems of school support in the United States. Chapter two explains in some detail the five basic distribution models used in the apportionment of State education funds. The third chapter demonstrates how inter-district expenditure disparities occur due to the imposition of local tax surcharges beyond the mandates of the State financed program. Chapter four examines recent Court cases challenging the constitutionality of present State school funding programs. Chapter five discusses some proposals for change. The first appendix to volume one reviews recent proposals for change advocated in the reports of State school finance commissions. A second appendix contains a summary of current legal challenges to State school financing systems. (For related document, see ED 058 47 .)
(Author/DB)

ED 058 480

Review of Existing State School Finance Programs

Volume I

A Commission Staff Report

AA 000 784

Submitted to The President's Commission on School Finance

THIS IS ONE OF SEVERAL REPORTS PREPARED FOR THIS COMMISSION. TO AID IN OUR DELIBERATIONS, WE HAVE SOUGHT THE BEST QUALIFIED PEOPLE AND INSTITUTIONS TO CONDUCT THE MANY STUDY PROJECTS RELATING TO OUR BROAD MANDATE. COMMISSION STAFF MEMBERS HAVE ALSO PREPARED CERTAIN REPORTS.

WE ARE PUBLISHING THEM ALL SO THAT OTHERS MAY HAVE ACCESS TO THE SAME COMPREHENSIVE ANALYSIS OF THESE SUBJECTS THAT THE COMMISSION SOUGHT TO OBTAIN. IN OUR OWN FINAL REPORT WE WILL NOT BE ABLE TO ADDRESS IN DETAIL EVERY ASPECT OF EACH AREA STUDIED. BUT THOSE WHO SEEK ADDITIONAL INSIGHTS INTO THE COMPLEX PROBLEMS OF EDUCATION IN GENERAL AND SCHOOL FINANCE IN PARTICULAR WILL FIND MUCH CONTAINED IN THESE PROJECT REPORTS.

WE HAVE FOUND MUCH OF VALUE IN THEM FOR OUR OWN DELIBERATIONS. THE FACT THAT WE ARE NOW PUBLISHING THEM, HOWEVER, SHOULD IN NO SENSE BE VIEWED AS ENDORSEMENT OF ANY OR ALL OF THEIR FINDINGS AND CONCLUSIONS. THE COMMISSION HAS REVIEWED THIS REPORT AND THE OTHERS BUT HAS DRAWN ITS OWN CONCLUSIONS AND WILL OFFER ITS OWN RECOMMENDATIONS. THE FINAL REPORT OF THE COMMISSION MAY WELL BE AT VARIANCE WITH OR IN OPPOSITION TO VIEWS AND RECOMMENDATIONS CONTAINED IN THIS AND OTHER PROJECT REPORTS.

The President's Commission
on School Finance

Neil H. McElroy, Chairman
Mary T. Brooks
William G. Colman
Hilda A. Davis
John B. Davis, Jr.
John H. Fischer
Dorothy M. Ford
Norman Francis
Eugene Gonzales
Warren P. Knowles
David H. Kurtzman
Duane Mattheis
William E. McManus
Wendell H. Pierce
William G. Saltonstall
W. B. Thompson
Clarence Walton
Ivan E. Zylstra

Norman Karsh, Executive Director

REVIEW OF EXISTING

STATE SCHOOL FINANCE PROGRAMS

A Commission Staff Report

by Thomas H. Jones
President's Commission
on School Finance

1971

REVIEW OF EXISTING

STATE SCHOOL FINANCE PROGRAMS

Volume I

TABLE OF CONTENTS

		Page
I.	Introduction	v
I.		
I.	Chapter 1 - Origins of Present Grant-in-Aid Systems	1
II.	Chapter 2 - Present Patterns in State Aid to Local Education	41
III.	Chapter 3 - The Local Share of Education Expenditures . . .	59
IV.	Chapter 4 - Recent Legal Challenges to the State School Financing Systems	71
V.	Chapter 5 - Ordering Priorities in Education	81
VI.	Appendix A- Review of the Findings of Recent State School Finance Commissions	103
VII.	Appendix B- Lawsuits Challenging State School Finance Systems	159

Volume II

Documentation of Disparities in the Financing of Public Elementary and Secondary Schools Systems by State

INTRODUCTION

The Commission study entitled "Review of Existing State School Finance Programs" appears in two volumes. The first volume is largely narrative; the second volume is largely statistical.

Volume one contains five chapters. The first chapter discusses the beginnings of modern systems of school support in the United States. Chapter two explains in some detail the five basic distribution models used in the apportionment of State education funds. The third chapter demonstrates how inter-district expenditure disparities occur due to the imposition of local tax surcharges beyond the mandates of the State financed program. Chapter four examines recent Court cases challenging the constitutionality of present State school funding programs. Chapter five discusses some proposals for change. The first appendix to volume one reviews recent proposals for change advocated in the reports of State school finance commissions. A second appendix contains a summary of current legal challenges to State school financing systems.

Volume two contains statistical analyses of the school funding systems in each of the fifty States. Three tables document existing disparities in the States' methods of raising and distributing funds for education. A fourth table indicates the approximate additional cost of equalizing per-pupil expenditure within each State.

Many people have been helpful in the writing and preparation of this project. Dr. Richard Rossmiller, Professor of School Finance at the University of Wisconsin, has reviewed and criticized this project during several phases of its preparation. Cynthia Banzer of the Commission staff has written the appendix to the first volume and has offered helpful suggestions on the remainder of the project. The central staff of the National Educational Finance Project has supplied much useful information. Claire Imogene Hunkin has given her time unstintingly in the typing and preparation of tables for the project. Of course, the final product, including the opinions it contains, are my own responsibility.

Separate acknowledgments appear at the beginning of volume two.

CHAPTER 1

ORIGINS OF PRESENT STATE GRANT-IN-AID SYSTEMS

INTRODUCTION

Perhaps the single most significant fact about State grants-in-aid is that all five basic plans for the apportionment of revenues for education were developed between 1905 and 1930. Naturally, these aid plans reflected the educational and social conditions of the early part of the century. At that time education was thought of as a primarily local enterprise and was financed largely at the local level. Education expenditures were very low by today's standards and there was probably under-investment in education. The population generally was far less mobile than it is today. There was considerably more emphasis on the quantity rather than the quality of educational services. And the disadvantaged were far less aware of their situations and far less vociferous in their complaints.

But even in the early part of the century none of the plans was considered perfect. Nearly all the arguments for and against each plan were known to the early school finance specialists. And ever

since 1930 school finance has concentrated on the modification and refinement of the early plans, not invention of new ones.

None of the plans was conceived by any one person or group. The major elements of each of the five basic plans had already been incorporated into law somewhere before the plan was systematically advocated by any single individual. Nevertheless, each of the five plans -- Flat Grants, Minimum Foundation, Percentage Equalizing, Guaranteed Tax Base, and Full State Funding -- came to be associated with a major university and with professor(s) who taught there. Through their teaching and writing these professors spread their ideas to other institutions and other sections of the country.

In this chapter we will examine the origins of the five basic plans for State general aid. The social, educational, and philosophical context within which each plan developed will be touched on briefly. Each plan will be examined in light of the major considerations which motivated its advocates.

DEVELOPMENTS AT TEACHERS COLLEGE, COLUMBIA UNIVERSITY

Certainly no other academic institution has had as profound and pervasive an effect on State school finance programs as Teachers College at Columbia University. Two of the four major grant-in-aid

systems were propounded by men who worked and wrote there. And the formal academic study of State school finance virtually began with a doctoral dissertation completed at Columbia in 1905 by Ellwood P. Cubberley. In the preface of the dissertation Cubberley wrote:

> Throughout the discussion which follows I have kept in mind certain principles which seem to me to be sound. In the first place I have conceived of a state system of schools instead of a series of local systems. Without such a conception no equalization of either the burdens or the advantages of education is possible. In the second place, I have repeatedly stated that maintenance of good schools is not, like the maintenance of sewers or streets, a matter of local interest, but is <u>in part</u> for the common good of all, and hence that the burden of maintaining what is for the common good of all should be <u>in part</u> assumed by the state as a whole.[1] (Emphasis mine.)

Thus it was Cubberley's view that the provision of adequate education is both a State and a local responsibility. Cubberley, however, didn't draw any clear lines of demarcation between the two levels of Government. Rather, he addressed himself in an <u>ad hoc</u> fashion to the disparities in fiscal capacity and tax effort he observed among various local school districts within the same State.

Cubberley found that some State funds were distributed on a matching basis, or in inverse proportion to a district's taxable resources,

---

[1]Ellwood P. Cubberley, <u>School Funds and their Apportionment</u> (New York: Teachers College, Columbia University, 1906) p 4.

without taking into account the number of pupils to be educated or number of teachers to be paid.

Cubberley's conclusions, which seem all too familiar to us, were that expenditures varied tremendously among closely situated communities. To him this seemed to be an inequitable situation.

He then turned his attention to an analysis of alternative ways for making the situation more equitable within the framework of the dual governmental responsibility which was the basis for his point of view. Cubberley discussed six distinct methods for the distribution of State funds. However, the method he favored was a combination of the number of teachers employed and the number of pupils in attendance.

Thus, Cubberley was an early advocate of the Flat Grant.

Cubberley definitely opposed a State fund distribution based purely on the fiscal characteristics of school districts. In essense then, Cubberley presented an argument to consider, not merely fiscal ability, but also human needs.

In this respect Cubberley definitely presaged the moderns although he did not recognize variations in the needs of pupils. The special needs of vocational, compensatory, mentally retarded students and the like were not foreseen by Cubberley. However, in putting human

need consideration above fiscal considerations as far as State fund distributions were concerned, Cubberley's contribution was a major one.

Because Cubberley believed that all phases of education -- including finance -- should be a joint State-local responsibility he could not ignore inter-district differences in local tax paying ability. But he was perfectly content to allow localities to tax at different rates. In order to address the problem of fiscal disparity Cubberley suggested that States set up a small special reserve fund which would be distributed to the few especially poor districts which were making "....the maximum tax effort allowed by law but yet are unable to meet the minimum demands of the state...."[2] As Charles Benson has pointed out, this is a rather cruel measure of equalization.[3] It requires the very poorest districts to tax at the maximum legal rate while not making similar requirements of the wealthier localities.

From our modern view a basic inconsistency is evident in the philosophy underlying Cubberley's approach. State funds should be distributed on the basis of human needs, but local funds will inevitably be raised on the basis of a school district's fiscal

---

[2]Cubberley op. cit. p 252-3.

[3]Charles Benson, The Economics of Public Education (Boston: Houghton Mifflin Company, 1968) p 157.

capacity and tax effort. If human needs should be the criterion for one level of Government, the State, why should the criterion for the other "equal partner" be any different? The question remains troublesome to this day.

The basic concept of a State-local partnership in all school matters with the roles of each level of Government largely undefined remained a hallmark of all the subsequent studies done at Teachers College. Cubberley's seminal work in the field of school finance casts a very long shadow right down to the present.

After completing his doctoral dissertation in 1905 Cubberley returned to his native West Coast to become Professor of Educational Administration at Stanford. However, a classmate of Cubberley's, George Drayton Strayer stayed on to teach at Columbia.

Dr. Strayer was interested in a variety of subjects in education, not all of them dealing precisely with the field of school finance. However, in 1921, Strayer and a colleague, Robert Haig, were called upon to do a study on school finance for the State of New York.

Some of the phenomena confronting the State of New York in 1921 were a bit different from those which Cubberley saw in his 1905 national survey. World War I, like more recent wars, had profound

social and economic effects. One of these effects was a renewed emphasis on education. To some, education seemed the best hope of saving the world from future wars. To others, education was a means of imbuing the vast numbers of first and second-generation Americans with the ideals of American citizenship. To nearly everyone, education seemed to be a vehicle for economic and social mobility in an increasingly degree-conscious society. The problem was money. Education could accomplish all its goals if only the necessary money could be obtained.

Strayer and Haig found that the flat-grant method endorsed by Cubberley and subsequently used in New York State was not entirely equitable. Local districts would simply use "Cubberley" Flat Grants allocated by the State, as a base upon which to add locally-raised revenue. Consequently, the inter-district disparities in expenditures per pupil were still very large due to variations in local wealth. In this context it is not surprising that George Strayer's main focus was not human needs which Cubberley emphasized but rather financial considerations. However, Strayer adhered completely to the Cubberley view that all phases of education were both State and local responsibilities, with no clear divisions between the two levels of Government.

Strayer's New York report, published in 1923, followed a format which is now almost classic. The report examined differences in tax effort and ability within various localities of the State, considered the need for better educational programs, attempted to cost out these programs, and proposed a method for achieving a more equitable distribution of State funds.

The distribution method suggested in the Strayer-Haig report conformed in most essentials to a 1903 Connecticut Law. The Connecticut Law was known to Cubberley who praised many of its provisions in his dissertation.[4] Somewhat inexplicably, Cubberley did not incorporate into his final recommendations the provisions of the Connecticut Law which he favored. Perhaps the reason is that Cubberley was more concerned with human needs than with fiscal problems, and the Connecticut Law omitted what was in his view an important component of human need; namely, the number of teachers employed by a school district.

But the provisions of the Connecticut Law, written up extensively by Cubberley, undoubtedly were known to Strayer. In any case the principal concepts embodied in the Connecticut Law have come to be known as the Strayer-Haig Minimum Foundation Plan.

---

[4]Cubberley op. cit. p 208 and the rest of Chapter 13.

The mechanics of the Foundation Plan will be demonstrated in more detail in the following chapter. Briefly, the steps involved are these: First, the State determines the cost per pupil of a satisfactory minimum educational program. Second, the property tax rate which the wealthiest district in the State would have to levy in order to finance this satisfactory minimum offering is computed. Third, every district in the State is required to tax at the rate needed in the wealthiest district to finance the minimum offering. Fourth, the State grants to each local district a sum equal to the difference between the amount raised locally at the mandatory tax rate and the amount required to finance the satisfactory minimum offering. Strayer found that by using this method of distributing funds he could reduce the existing inter-district differences in expenditures per pupil without greatly increasing the State's total dollar outlay.

Because this formula was designed to reduce expenditure disparities among districts by distributing nearly all State funds on a basis which considers both the number of pupils to be served and the local tax base, it is called "equalizing." But an important additional element in the Strayer-Haig Minimum Foundation Program is the proviso that local districts should be allowed to raise their mill levy above the required minimum and hence spend above the minimum level required by the State.

Money raised outside the program has severe disequalizing effects. Wealthy districts, by raising their tax rates only a few mills, can raise a great deal of additional money. Poor districts, by raising their tax rate by the same number of mills, can raise only a small amount of money.

One phrase contained in the Strayer-Haig report has received a great deal of attention since that time -- equalization of educational opportunity:

> There exists today and has existed for many years a movement which has come to be known as the "equalization of educational opportunity" or the "equalization of school support." These phrases are interpreted in various ways. In its most extreme form the interpretation is somewhat as follows: The state should insure equal educational facilities to every child within its borders at a uniform effort throughout the state in terms of the burden of taxation; the tax burden of education should throughout the state be uniform in relation to taxpaying ability, and the provision of the schools should be uniform in relation to the educable population desiring education. Most of the supporters of this proposition, however, would not preclude any particular community from offering at its own expense a particularly rich and costly educational program. They would insist that there be an adequate minimum offering everywhere, the expense of which should be considered a prior claim to the state's economic resources.[5]

It is clear from this quotation that Strayer did not mean equal educational opportunity at all, but rather minimum educational opportunity. He too accepted the Cubberley view that education was a joint

---

5 George D. Strayer and Robert M. Haig, Financing of Education in the State of New York (New York: The McMillan Company, 1923) p 173.

State-local enterprise with only imprecise divisions of responsibility between the two levels of government. The Strayer-Haig Foundation Plan equalizes local taxes and expenditures only up to a minimum level.

Paul Mort, a student of George Strayer and later a Professor at Teachers College, was the most effective advocate of the Strayer-Haig Minimum Foundation Plan. Like his predecessors at Columbia, Mort conceived the State and local roles in education to be of more or less equal importance. However, one of the principal contributions of this multi-faceted man was development of a rationale as to why this should be so.

Mort was the great apostle of innovation in education which he termed "adaptability." Adaptability, in Mort's view, is the capacity to institute changes within a system. The changes might be starting new courses of study, beginning adult evening classes, expanding the number of extracurricular activities, or virtually anything else which a community perceived as being a need.

Mort emphasized that which is transient and responsive in the educational process -- not that which is permanent and transcendent. Perhaps the thing Mort most feared was rigid and stultifying local school systems unresponsive to the changing needs of dynamic

society. Frequently in his writings Mort contemplated the steps (observed years earlier by Cubberley) in the adaptation process:

> Casual observation suggests hypotheses with respect to adaptation patterns characteristic of different sets of conditions. In this country many practices follow the local initiative pattern. They develop in individual communities, often without the knowledge of state officers. They spread more or less rapidly to other communities.[6]

If local school districts are the primary seedbed for what is new in education, in Mort's view the United States Office of Education and the professional schools of education could be counted on for only a little help.

> Of this adaptation pattern, a full description would necessarily consider the stimulative effects of such agencies as schools of education and the United States Office of Education. Nevertheless, a great many new developments in education come into being not in such centers, but in the school systems themselves. Other such ideas also do not really become available until creative workers in public school systems have adapted them to normal conditions. The wide gap between typical schoolroom conditions and experimentation in private laboratory schools is well enough known. There is extreme importance, therefore, in the adaptive work carried on mainly by the higher expenditure schools under public school conditions.[7]

---

[6]Paul Mort and Francis Cornell, Adaptability of Public School Systems (New York: Bureau of Publications, Teachers College, Columbia University, 1938) p 71.

[7]Ibid p 96.

This last sentence is indicative of Mort's views on school finance. The principal reason to encourage local expenditure according to him is to foster adaptability -- the propensity to change with the times. Unless local districts are allowed substantial tax leeway, innovations are less likely to occur.*

Complete State funding, in Mort's view, leads the State to full control of all phases of school management. If every adaptation had to be approved by the State, the pace of educational progress would be slowed. Therefore, the State function is to set minimums -- both educational and financial -- for all local districts. The local districts' function is to go beyond the minimum.

Paul Mort did not argue that local financial control is a good thing in itself. The principal reason he advocated local control was to foster innovation. Mort recognized the possibility that local school districts could make use of their tax leeway to spend additional tax revenues in the same old ways. Nevertheless, he felt that there was a great deal more possibility for adaptability under a local leeway system than under any other system he could conceive.

But Mort argued for both local tax leeway and for a fairly high percentage of State funding. Locally-raised taxes outside the

*Mort was entirely familiar with the full-state funding system of the Union of South Africa. He conceded that adaptability was possible in Full State Funding, but far less likely to occur. In a trade off situation, Mort was willing to give up taxation and expenditure uniformity in order to foster adaptability.

mandates of the Foundation Program fostered innovations in "lighthouse" districts which were (and usually still are) the wealthier suburban ones. These districts had a high tax base as well as a citizenry which favored the advancement of education. But high levels of State funding were important as well. High State funding enabled the poor localities to institute some of the innovations initially developed in the lighthouse districts. Furthermore, an ever-increasing dollar volume of State money enabled the lighthouse districts to keep innovating without the need for increasingly heavy tax burdens which might dampen their ardor to innovate.

Briefly summarized, this is the model Mort conceived for the creation of better schools.

Phase 1 -- A given level of educational service and a given level of State school support is in existence.

Phase 2 -- One or more local school districts perceive a need to provide some new educational service beyond the State minimum. If necessary, they tax themselves above the amount required by the State to provide this educational service.

Phase 3 -- The adaptation developed in the lighthouse districts is disseminated to other localities. They too raise their local tax rates to institute the adaptation.

Phase 4 -- The adaptation gradually becomes accepted practice throughout the State. Eventually the State provides for the adaptation in all local districts, possibly through the institution of a categorical State grant for the purpose.

Phase 5 -- The adaptation is required by State law and State financial support for the adaptation is incorporated into the Strayer-Haig Minimum Foundation Program.

Phase 6 -- The extra State support allows the original lighthouse districts to reduce their tax burdens; hence, they become more receptive to the possibility of still newer adaptations.

In this way the process repeats itself.

Although this description may be an oversimplification of Mort's ideas, it is not a distortion. Certainly Mort realized that the entire process was a good deal more complex than the simple steps outlined here, and he dedicated a good part of his very active life to understanding this process in all its complexity.

Mort's idea is essentially a "trickle-down" theory. Create a situation favorable to those more fortunately placed in society and their success will have a beneficial effect on those less well off. The Strayer-Haig-Mort Minimum Foundation Plan with local tax option is subject to the same philosophical arguments which may be leveled against any trickle-down theory. Should any public finance structure attack a problem by helping most those who are already best off?

The Plan can also be questioned on grounds of efficacy. The trickle-down concept assumes that the innovations suitable for wealthier districts also will be suitable for poorer districts. In the years since Mort's work educational researchers have turned up a great deal of evidence demonstrating that an educational practice which works well in one place does not necessarily work in another. Furthermore, poor children (many of whom live in poor districts) may not have exactly the same educational needs as their middle-class peers. These factors suggest that adaptions which are successful in one place need not or should not be applied everywhere.

Another factor to consider is that a great many of the adaptions Mort sought were quantitative -- instituting kindergartens in public school systems, building of science labs for junior high schools, increasing the length of the school year, etc. Probably these quantitative

improvements were needed in every school system. And the adaptability model seems more applicable to this sort of innovation.

But most educators today see the problems of education as primarily qualitative -- better teaching, more meaningful out-of-class experience for students, etc. Qualitative innovations may not be as well suited to the adaptability model as quantitative ones. Different types of children respond differently to various teaching strategies and school environments. In education innovations can succeed only if they have the full support of the people charged with implementing them. Systematic curricula and instructional innovations, developed for one school situation and imported into another, may not have the same level of approval or relevance in the second situation as they did in the first.

Finally, one might criticize the adaptability model itself. Do most innovations occur at the local level in the way Mort thought? The Kappan, a leading journal for professional educators, recently listed 15 new innovations in education.[8] Of these 15, few, if any, had their origins in local school systems. Rather they began with private business, research organizations, or within academic disciplines. Of course, one cannot conclude that no innovation occurs in local school systems. But at least in recent times it appears that the most widely discussed innovations began outside local school districts.

---

[8]P.R. Brim, "What is your PDG Quotient?" Phi Delta Kappan, March 1971 p 415.

Next, how important is innovation? Since Mort thought that local citizens and professionals were the best judges of quality in their local school programs, he was not anxious to praise or condemn any innovation himself. He simply thought that new ideas should always be tried. Today, however, many citizens and professional educators are interested primarily in results. Will the adaptation help "Johnny" read better? If not, of what use is it? In other words, emphasis recently has been placed on the outputs of the school systems rather than on innovation per se.

Mort believed that innovation in and of itself makes for better schools and better learning, a thesis which is hard to prove. But even if one concedes for the moment that this thesis is true, it still may not be correct that innovations developed largely in wealthy suburbs will work equally well in schools serving rural and urban ghettos. The inapplicability of adaptations developed in wealthy areas to the problems which exist in poorer areas may go a long way in explaining the disparities in the success levels of upper middle-class schools vis-a-vis schools composed predominantly of other types of children.

Summarizing them in order to make an intellectual case for the Strayer-Haig-Mort Foundation Plan you have to believe that:

1. A system which encourages the richest school systems most is philosophically acceptable.

2. It is philosophically acceptable because the wealthier school systems will develop useful innovations which will lead to better schools.
3. Innovations found useful in lighthouse communities will also be found useful in other communities no matter what their social, racial and economic composition.
4. Most innovations can and should originate in local school systems.
5. Equal educational opportunity is really a minimum level of educational opportunity where the minimum is often far below the average.
6. Educational policy makers should give conflicting instructions to State and local Governments. To the States they should say, "Distribute your money on the basis of educational need and inversely to local wealth." To the locals they should say, "Raise as much money as you can for schools and if you have more wealth you should be spending more money."

If these beliefs stretch the credulity of some educators, they are nevertheless accepted by many. The importance of Paul Mort and his advocacy of the ideas developed at Teachers College is inestimable. Thousands of educators who have never heard his name are, nevertheless,

influenced by his thoughts. Many former students of his and students of his students now occupy positions of power in educational organizations.

Mort was a tireless worker, author of countless journal articles, numerous books and State-level reports on school finance, dedicated university professor and one of the greatest leaders education ever produced.

Finance plans currently used in about four-fifths of the States are based directly on the Plans developed at Columbia University first by Cubberley and later by Strayer-Haig-Mort. Both these plans envision a combined State-local responsibility for all phases of education including finance. No clear limits or controls are established for either level of Government. This creates what is -- in the view of some -- a sort of healthy competition for control.

It is impossible to say whether this view of educational governance has prevailed because of its advocates at Columbia and elsewhere or because it is a natural outgrowth of our Federal system. Some would say that it is an aberration from the best in our Federal system because the roles of each level of Government are ill-defined and often in conflict.

In any case advocates of other ideals for American education and other approaches to school finance were not lacking even in the early years. It is to these other views that we now must turn.

DEVELOPMENTS AT THE UNIVERSITY OF PENNSYLVANIA

The most productive period in school finance at Pennsylvania occurred in the 1920s when George Strayer of Columbia was generally considered a leading figure in the field. Harlan P. Updegraff is the name most closely associated with the work done at Pennsylvania, and his views were in fundamental conflict with those of his colleagues at Columbia.

In the 1920s Updegraff was asked to do studies of school finance in New York and Pennsylvania. (The period of his New York study overlapped the period of the Strayer-Haig study.) In these studies Updegraff developed the rationale underlying Percentage Equalizing Formulas.

Updegraff's thoughts can be classified into three categories which will be considered in turn. First, his critique of the Minimum Foundation Plan will be discussed. Second, his own solution to circumvent the problems inherent in the Minimum Foundation Plan will be examined. And third, areas of agreement between Updegraff and Strayer will be identified.

Updegraff based his criticism of the Foundation Plan on both a practical and a theoretical plane. On the practical level Updegraff found that the Minimum Foundation level supported by the State tended to remain very low. The States typically did not increase their funding greatly enough to compensate for the rising costs of education. Consequently, the wealthier districts in a State were often spending at a level 2.5 or 3 times as much as the poorer districts which were at or near the Minimum Foundation level of expenditure.

However, even if States raised the spending levels in their Minimum Foundation Program Updegraff still would not have been satisfied because the fiscal ability of local districts still would not be equal. Hence they would not be able to provide equal levels of education. In his view Minimum Foundation Programs doomed large segments of the population to an inferior education. Children in poorer districts received only the minimum while wealthy districts spent far in excess of the minimum. Updegraff thought that a State-aid system which benefitted wealthy districts the most was an abrogation of the doctrine of equal educational opportunity:

> In applying the principle, Equality of Opportunity, to schools, it means that all forms of aid should be utilized in such manner as to guarantee for each

> child that education which will best fit him for life, irrespective of the particular community in which he may happen to live.[9]

In addition Updegraff had views of his own concerning the governance of education which were substantially different from those developed at Columbia. He emphasized the historical evolution of education in the United States as a primarily local enterprise. In his view the State's role in education should largely be confined to helping localities provide whatever level of educational service is deemed appropriate by that locality.

Thus Updegraff took exception to the Columbia idea that State and local Governments are equal partners in the educational enterprise. He took the position that local districts should be the dominant force in decision making. Secondly, Updegraff believed that State bureaucracies in general were cumbersome and inefficient. Local districts on the average tend to be much more effectively administered.[10]

Guided by this philosophy Updegraff proposed the Percentage Equalizing Plan. The Plan was based on concepts incorporated in a 1919 Massachusetts law. Updegraff's formula is described in more detail in Chapter 2 of this project. Here it suffices to say that under this mechanism the State shares a fixed percentage of the cost of any

---

[9]Updegraff and King, Survey of the Fiscal Policies of the State of Pennsylvania in the Field of Education, (Philadelphia: University of Pennsylvania, 1962) p 45.

[10]Ibid pp 13-18.

level of education desired by individual local school districts. First, the State determines what percentage of the total cost of education in the entire State it should assume. Second, a local district decides what it wishes to spend. Third, an automatic mechanism determines what percentage of the cost the State will bear in any single locality. If the locality is a wealthy one, the State will bear only a small percentage of the cost. If the locality is a poor one, the State will bear a large percentage of the cost. In this way all local school districts are equally able to support whatever level of educational expenditure each locality desires.

In Updegraff's view this plan had several equity features. First, all districts are encouraged to make a greater local tax effort because the more money the locals raise the more money the State provides. For any given level of local tax effort the State payment varies inversely to the amount of local taxable wealth. This puts all local school districts in a relatively equal position insofar as revenue raising is concerned. Equality of educational opportunity is no longer constrained by the wealth of the community in which the child happens to reside. Percentage Equalizing encourages "right thinking" on the part of the local populace. Local

individuals will be more likely to develop sound educational policies if they come to conclusions themselves rather than have them imposed by an outside State authority.*

> The facts are that, in a fairly large number of communities of every state, we need a change in attitude on the part of the citizens toward the schools. These communities can frequently be led to change their ideas and to substitute right action over a sufficiently long period of years to bring about a fundamental change in their attitudes toward the benefits of education. That which a citizen learns through the operation of his own action becomes established, while that which is forced upon him against his will he opposes. It is, therefore, fundamental in state aid that we leave final decisions, provided the minimum and maximum standards fixed by state laws are observed, to the local communities and allow them to choose what they think is best. Such standards should ordinarily, however, permit of considerable range for freedom of action. If this is done we have stronger agencies in the making of a better government and a better society. 11

This quotation points up one of the principal areas of agreement between the advocates of the Minimum Foundation and Percentage Equalizing Plans. Both schools of thought accept the fact that there is a maximum amount of money which the State can spend on education. Although Updegraff felt that the primary educational responsibility

---

*As the reader can imagine the Percentage Equalizing concept drew heavy criticism from George Strayer and others of the Columbia School. Today both the Foundation and Percentage Equalizing Plans have their partisans among school finance experts.

11 Ibid. p 45.

rested with the local districts, he conceded that States had an important, if generally subservient, role to play. Updegraff also agreed with the Columbia view that curriculum considerations were inextricably bound to financial considerations. In fact, he seems to have held the view even more strongly than Mort did. Since local districts should control the curriculum, local districts should also have wide discretionary powers to tax. Finally, both sides agreed that local school districts were the most innovative components in the entire educational enterprise. Since new ideas incubated there, it would be harmful to inhibit their activities.

Updegraff realized that States would have to impose not only minimums but also maximums on the extent of their financial participation. This element in his plan has proved to be more of a greater drawback than probably he expected. Obviously, the State cannot guarantee to support a fixed percentage of absolutely any level of educational expenditures which the local school districts in the aggregate decide upon. This is because State school fund appropriations are limited. Of necessity tax revenues and State educational appropriations must be determined independently of local school districts' budgets. Almost inevitably State funds are not sufficient to finance local programs in the percentage stipulated by law. When this happens,

the total budgets for all school districts must be cut back. Frequently, this process hurts poor districts more than rich districts.*

Opposing the Percentage Equalizing Plan George Strayer believed that such formulas distorted the "desirable" levels of tax effort in some communities.[11] A later study has shown this to be true.[12] Poorer communities, often uninterested in education, can opt to tax and spend amounts far below the level they might have to if the Minimum Foundation Plan were in effect. On the other hand already wealthy suburban communities, usually very responsive to the need for education, receive at least some State aid even in providing the extra services not essential to a good basic school program. If a Minimum Foundation

*States have several methods for partially funding local district programs. The following example illustrates one method.

Suppose the law says that 75 percent of all locally determined school expenditures will be paid for by the State. However, the State Legislature only appropriates enough money to cover 50 percent of the cost. The 75 percent in law and 50 percent in actuality means a cut back of one-third on every district's State school fund appropriation. Suppose further that a poor school district is entitled by law to $500 per pupil and a wealthy school district is entitled by law to $100 per student. If both districts are cut back by one-third the poor district loses one-third of $500 or about $166 per student. The rich district loses one-third of $100 or $33 per student.

Furthermore, economists would argue that the marginal value of each dollar lost is greater in the poor districts than in the rich districts. This fact makes the real loss to the poor district even greater than the dollar amounts used in the illustration.

[11] Strayer-Haig op.cit. p 175.

[12] Benson and Kelly, The Rhode Island Comprehensive Foundation and Aid Program for Education (Providence: Rhode Island Special Commission to study the entire field of education, 1966).

Plan were in effect, wealthy communities would have to pay for such extras entirely on their own. Under a percentage equalizing system the State may have to use tax money, collected from people in poor districts, to provide extras for the wealthy while these same poor districts do not have even an adequate minimum program. Such contingencies as these are the perils of Percentage Equalizing!

Summarizing then these are the basic beliefs underlying the Percentage Equalizing Plan:

1. Local school districts acting independently should determine the educational interests of the State and Nation, OR local interests should supersede the interests of the State and national interest.
2. Every taxpayer in the State should help support the total educational program in all communities no matter how expensive that program, and State agencies should exercise little control over the content and cost of each locally-determined program.
3. In theory local districts should be equally able to spend whatever they wish. But in fact this can never be so since the State necessarily limits its funding.

In common with the Strayer-Haig-Mort Minimum Foundation the Percentage Equalizing Plan holds that:

4. Local school districts are usually more adaptive than other educational units.
5. The power to tax and the power to control all phases of school operation go hand-in-hand; therefore, local school districts must have taxing power.
6. The State's role is to impose minimums. In strict Updegraff theory these minimums may be lower under the Percentage Equalizing Plan than they would be under the Foundation Plan.

For several reasons the percentage equalizing idea has never achieved such wide acceptance as the Strayer-Haig-Mort Minimum Foundation Plan. For years the Percentage Equalizing Plan was little known. In 1968-69 only six States used this method. One reason may be its fiscal drawback from the State's point of view. Another reason may be that State Legislatures do not like the rhetoric of local pre-eminence embodied in the Plan. One sure reason is that the Percentage Equalizing Plan never had an apostle as persuasive and dedicated as Paul Mort.

Percentage Equalizing has its partisans still today. But in terms of its implementation it definitely is third in importance after the two Columbia plans.

DEVELOPMENTS AT THE UNIVERSITY OF CHICAGO

For many years the School of Education at the University of Chicago has been known for its contributions in educational law. Many Chicago professors have emphasized the political and legal element in educational decision-making.

Henry C. Morrison, who taught at Chicago in the 1920s and 1930s, fits directly into this Chicago tradition. Two beliefs underlie Morrison's important book, School Revenue, published in 1930. First, the sole duty of publicly-supported education is to prepare young people to assume the responsibilities of citizenship in American democracy. Second, this cannot be done if educational decisions, including finance decisions, are primarily a local matter. Local people necessarily pursue local interests. These two beliefs led Morrison to propose full State funding, a radical idea for its time.*

But full State funding was by no means Morrison's only unorthodox proposal. He favored consolidation of local school districts into a unified State-wide system and a very limited purpose State imposed curriculum. Furthermore, at a time when State income taxes were

---

*In 1930 only about 17 percent of all school revenues came from the States.
Source: Johns et al (ed.), Status and Impact of Educational Finance Programs (Gainesville: National Educational Finance Project, Vol. 4) p 22.

barely used at all Morrison looked favorably upon this type of levy for State school support. This section of the chapter will examine each of these elements in Morrison's thought and offer a critique.

Morrison began his book by distinguishing between public schools and State schools. The distinction lies in the conflicting purposes of each. So-called public schools may be tax-supported institutions which exist for individual benefit. American public schools grew out of a tradition of private schools which were often "....nothing more than cooperative family schools for affluent or aristocratic families."[14]

These schools existed to train people in the social graces and prepare them for certain types of occupations or professions. It is unfortunate in Morrison's view that American public schools grew out of the tradition of private schools which existed for family benefit:

> "The State school, however, critically defined, is in essence a school established and maintained by government primarily for a civic purpose, that is, for the perpetuation of the Civil State, that is, for the maintenance of civilization: The "public schools" with which we are familiar are nearly all State schools, at least in law, albeit most of them have little administrative relation to any of our forty-eight commonwealth governments.15

[14]Henry C. Morrison, School Revenue (Chicago: University of Chicago Press, 1930) p 13.

[15]Ibid p 13.

Morrison believed that "citizenship schools," as he often preferred to call them, should not prepare people for college, not offer vocational education, and not teach "private accomplishment" subjects such as French. (However, Morrison was not against the teaching of Latin in public schools. Undoutedly, he considered Cicero preferable to Rabelais.) Morrison also would have forbidden State aid to institutions of higher learning. Collegiate studies, like so much he objected to in the public school curriculum, prepared young people to make money or prepared them in the social graces, objectives which the family or private education should pursue.

Morrison believed in a relatively permanent curriculum designed for severely limited purposes. In this report Morrison's thought parallels that of Robert Maynard Hutchins who in 1929 (one year before the publication of School Revenue) came to Chicago as its President.

Morrison's conception directly contradicts the Dewey view of progressive education which underlies much of Paul Mort's thought. Morrison wrote:

> "Education" is complacently described as being "as wide as life itself." If that is so, and it is further true that schools ought to be supported at public expense, then all of us must in logic expect to be taxed for all that life has to offer for the benefit of all of us....
>
> ...."Schools should provide for all the needs of all children, and of the whole community." The wide-as-life motive. Freedom and liberty, self-expression, socialization, free lunches, elimination of privilege, advertising the city, bigger and better babies, and so on ad infinitum. Literally without limit, for there is no terminus to that pathway.

> Now, perhaps most of the things desired by the "educator" are good and desirable in themselves, but it by no means follows that they are part of either the objectives or the processes of the citizenship school.[16]

Morrison examined local school districts and found them lacking. They were motivated by private, local interests. They had different taxpaying capacity. Hence they provided vastly different levels of education. Morrison believed that substantial sums of money could be saved by limiting the curriculum to citizenship training.

The inevitable

> ....conclusion (is) that the several states themselves are the appropriate fiscal and administrative units in the support and conduct of the citizenship school which has long been held to be the cornerstone of our policy as a self-governing State.[17]

As is true of the other early writers, Morrison's views on school finance flow from his conception of the school itself. Morrison despaired of ever finding an adequate State-local funding formula. Whatever method is used the wealthy districts always seem to come out ahead.

As was said earlier, Morrison favored Full State Funding for schools. Moreover Full State Funding opened a vast area of new potential tax

---

[16] Ibid p 108

[17] Ibid p 294

sources which independent local school districts cannot employ. Morrison discussed several of these tax sources but seemed to favor imposition of a State-wide income tax to supply a good part of the necessary revenues.

In summarizing, in order to believe completely in Morrison's conception all of the following must be accepted:

1. Publicly-supported schools should exist for the sole purpose of citizenship training.
2. Citizenship training requires only a narrow curriculum devoid of many of the academic subjects and educational purposes that are commonplace in most schools.
3. The State should decide exactly what should be included in the curriculum of every school.
4. Local school districts should be consolidated into a single State-wide system because local and private interests should play no part in determining the course of public education.
5. The State-wide school system should be financed by State-wide taxes. All potential tax sources should be considered. The State-wide income tax should be viewed favorably.

Ever since his book was published in 1930 Morrison's views have been totally at odds with the prevailing thought in education and school finance. This is not to say, however, that Full State Funding has had no partisans whatsoever. In the 1930s two States, North Carolina and Delaware, attempted nearly Full State Funding. They have continued high levels of State support ever since. In more recent years Full State Funding has been viewed with more and more favor among a growing minority of school finance experts. Recently, Morrison's thoughts have received favorable reappraisal.[18]

Undoubtedly, a major factor operating against the Morrison revival is his extremely unorthodox views on both school curriculum-organization and educational finance. Morrison is in the unenviable position of drawing fire from most teacher groups, school administrators and finance specialists. Together these include nearly everybody in the education profession.

CONCLUSIONS

Taken as a whole the views of Cubberley, Strayer, Mort, Updegraff and Morrison are not only conflicting, they are irreconcilable. A great diversity of opinion with regard to the nature of education and the role of inter-governmental fiscal relations is represented in the view of these five individuals. The Columbia School of

[18]See for instance Benson Economics of Public Education pp 167-166.

Education saw it as a consistently growing ever-changing enterprise that allows State and local Governments to operate in symbiotic competition. In the Updegraff conception purely local interests were rightfully predominant both in matters affecting curriculum-organization and in finance. The State's major role was to reward local tax effort. Morrison stood the Updegraff conception on its head, so to speak, and put the State in the supreme position on all matters. It is certain that these pioneers in inter-governmental fiscal relations helped set the stage for many of the debates still raging today.

In at least two respects, however, these early writers were not so far apart. First, they spent as much time detailing financial considerations as they spent discerning human needs. Or, more precisely, four of the five basic fund distribution mechanisms address themselves partly to inter-district differences in financial ability, not in variations in pupil needs. It would be unfair, however, to criticize the early experts on this ground. In their day education was a relatively homogeneous commodity designed to turn out pupils with roughly similar skills. They were not as keenly aware of the psychological and sociological differences among different groups of pupils as we are today. The special educational needs of certain groups of pupils have been discovered since 1930. Furthermore, since the time of these early writers there has been a renewed emphasis on what pupils learn rather than on what educational services are offered. Pupil learning is due largely to factors other than expenditure level.

In view of these new forces operating in Education many modern schoolmen believe that all of the old formulas are inadequate. Property tax is a poor measure of fiscal capacity. In any case equalizing fiscal capacity is far less important than equalizing student achievement by meeting the differential educational needs of different groups of pupils.

The second point on which all the early theorists seem to agree is that the power to tax is the power to control. If local districts have no tax leeway, complete State domination of all phases of the curriculum would result. In Morrison's view this would be good. Updegraff thought state control would be disastrous. Mort believed that inter-district equalization of expenditures was desirable but for the fact that it would hinder adaptability. And schoolmen today often cite the need for local innovation as a primary reason for the retention of local funding.

Recently, investigators have examined the proposition that increased State funding does necessarily tends to centralize control. Fowlkes and Watson concluded that this proposition is erroneous. Their study, which included eleven midwestern States,

> ....revealed no consistent pattern such as that suggested by the phrase 'control follows money.' It showed practically no relationship between the state's share in school support and the number of controls.[19]

[19]John Guy Fowlkes and George E. Watson, School Finance and Local Planning (Midwest Administration Center, University of Chicago, Chicago 1957) p 33.

Fowlkes and Watson also examined the proposition that the total number of State controls was perhaps less important than the amount of control the State exercised over any single phase of the education process.

Within a single State, Wisconsin, the two researchers found no relationship between the amount of State support received by a local school district and the rigidity of State control over any specific phase of school operation.

A recent survey done by the Urban Institute for the Commission confirms these findings. The Urban Institute examined ten broad areas of control in ten widely divergent States. High State aid States like Washington and North Carolina exert no more legal control over their local districts than do the low State aid States in their survey.

There is no proof that heavy State funding inevitably tends to centralize control. Fiscal arrangements may be separated from legal controls. The evidence strongly indicates that the widely held belief is only a myth.

Among school finance men today the plans and rationale of the early theorists are universally respected; among some the pros and cons of

each plan are still hotly debated. Nevertheless, there is a growing feeling among all experts that none of these early conceptualizations are entirely sufficient to meet today's school finance problems. If the less important problem of inter-district differences in fiscal capacity and tax effort is not first eliminated, then the more important problem of meeting differential human needs can never be successfully dealt with.

CHAPTER 2

PRESENT PATTERNS IN STATE AID TO LOCAL DISTRICTS

DEFINITIONS OF GENERAL AND CATEGORICAL GRANTS

All State grants-in-aid to local school districts fall into one of two categories: General Grants or Categorical Grants. General grants may be spent for any educational purpose. Categorical grants may be spent only for some specific educational purpose deemed worthy by the state; hence they require a fuller definition.

All special purpose (categorical) grants now used in any of the 50 States may be classified further into one of five general types. First, a State may establish categorical grant(s) for certain types of pupils. Usually these are pupils with cultural or organic learning disabilities (e.g., physically handicapped).

Second, States may provide special aids for certain types of educational personnel (e.g., a special grant for school librarians).

Third, categorical grants are often established to aid in the building and maintenance of physical facilities, equipment and instructional materials (e.g., school buildings, textbooks).

Fourth, these specific grants may provide for instruction in certain special school subjects, or school-related programs (e.g., pupil transportation).

Fifth, categorical grants may be given to special kinds of school districts (e.g., sparsely-populated districts).

Obviously this five-fold classification is somewhat artificial. Pupils, teachers, material goods, programs and school districts are clearly part of an integrated whole. The classification above is intended to give the reader a feel for the variety in the statutory intent and the wording used in the various forms of these categorical grants-in-aid.

PRACTICAL DISTINCTIONS BETWEEN GENERAL AND CATEGORICAL GRANTS

Hopefully the theory behind these two aid forms is now clear. In practice the distinction is much more hazy. Typically (although not always), general grants go to every school district in the State. On the other hand, categorical grants are given only to those districts which qualify. Categorical grants offer financial inducements to encourage local school authorities to do certain things -- like compensating teachers who attend summer school or offering courses in driver education -- by defraying part or all of the costs the local district incurs.

However, there is no reason why States must establish separate appropriations for these school services. State statutes can require by law the same types of school activities that categorical

grants merely encourage. Furthermore, the size of the general grant a district receives can be made contingent upon the provision of certain services or can be varied by establishing certain categories of eligibility.

In summary, it may be said that establishing categorical grants is one way of influencing the local educational program. There are other ways, both legal and financial.

A THEORETICAL DESCRIPTION OF STATE AID FORMULAS

GENERAL AIDS

Each State has its own unique program for distributing grants-in-aid to local school districts; no two are exactly alike. Nevertheless they can and should be viewed as a variation on one of four basic themes. Here we will look at the themes -- or rather the theories -- which form the basis for all state school aid formulas in the United States today. (Table I, attached, lists the states using each of the four types of grant systems.)

1. Flat Grants

In State school finance a Flat Grant is a payment made by the State to local school districts based on the number of pupils enrolled and/or the number of personnel employed. Flat Grants may be augmented through locally-raised revenue.

TABLE 1

CLASSIFICATION OF THE STATES INTO TYPES
SCHOOL SUPPORT PLANS USED FOR THE SCHOOL YEAR, 1968-69

Flat Grant Programs	EQUALIZATION PROGRAMS			Full State Funding
	Strayer Haig Minimum Foundation	Percentage Equalizing	Guaranteed Tax Yield Plan	
Arizona	Alabama	Iowa	Utah	Hawaii
Arkansas	Alaska	Massachusetts	Wisconsin	
Connecticut	California	New York		
Delaware	Colorado	Pennsylvania		
New Mexico	Florida	Rhode Island		
North Carolina	Georgia	Vermont		
South Carolina	Idado			
	Illinois			
	Indiana			
	Kansas			
	Kentucky			
	Louisiana			
	Maine			
	Maryland			
	Michigan			
	Minnesota			
	Mississippi			
	Missouri			
	Montana			
	Nebraska			
	Nevada			
	New Hampshire			
	New Jersey			
	North Dakota			
	Ohio			
	Oklahoma			
	Oregon			
	South Dakota			
	Tennessee			
	Texas			
	Virginia			
	Washington			
	West Virginia			
	Wyoming			

Source: Johns and Salmon, "The Financial Equalization of Public Schools Support Programs in the United States for the School Year, 1968-69" in Status and Impact of Educational Finance Programs op. cit, p 137.

2. Full State Funding

Like the Flat Grant, Full State Funding requires a payment from the State to the local district based on its number of pupils, and/or teachers. However, unlike the Flat Grant, Full State Funding, does not allow localities to spend any extra funds for education above the state-mandated amount.

Flat grants and Full State Funding share one important common element: neither of these aid forms takes into account local fiscal capacity when determining the amount of the state grant. In these aid forms local districts with great tax paying ability are treated similarly to districts with little tax paying ability. Put another way the total number of pupils and/or teachers in a school system is a factor in determining the size of the dollar grant, but the difference in localities' ability to pay is not a factor in determining the size of the dollar grant.

3. The Strayer-Haig Minimum Foundation Plan

Unlike the first two plans, plans 3, 4, and 5 take into account the local districts' ability to pay. Wealthy districts get less money than poor districts; hence, educators call plans 3, 4, and 5 "equalizing." In the case of equalizing plans, a local district's taxpaying ability is usually defined as assessed value of property per pupil.

The purpose of the Foundation Plan is to make all districts equally able to support some level of education expenditure predetermined by the State. Under this plan the State sets the minimum acceptable level of per-pupil expenditure. Then the State makes up the difference between the amount it thinks the locality ought to be spending at a minimum, and the amount of money the State thinks ought to be raised locally at a minimum. The amount of money to be raised locally varies among localities depending upon the district's assessed valuation per pupil. This idea can be expressed in a formula.[1]

	(A)		(B)		(C)		(D)		(E)
The amount of State aid to any district	=	(no. of pupils in any district	x	dollar value of the Foundation program)	-	(a local uniform minimum tax rate set by the State	x	the property tax base of any district)	

In this formula B x C is the dollar value of the Foundation Plan for any single district. D x E represents the local share.

---

1 For the convenience of readers who prefer symbolic expression the formula for the Foundation Plan can be expressed as follows:

$$A_i = N_i u - r Y_i$$

where A_i = subsidy to the i th district
N_i = number of pupils in the i th district
u = dollar value of the Foundation Program
r = mandatory local tax rate
Y_i = property tax base of the i th district

source: Charles Benson, The Economics of Public Education Boston: op.cit. p 147.

Example

Let us assume that the state decides $500 per pupil is the minimum acceptable expenditure for every pupil in the State. And further the State decides that every locality ought to be taxing itself at the rate of 30 mills for education. Suppose also that one district has 20,000 pupils and a property tax base of $200,000,000. Then

number of pupils (quantity B) = 20,000

Foundation Program (quantity C) = $500

required local tax rate (quantity D) = 30 mills or .03

assessed valuation (quantity E) = $200,000,000

Now plugging these values into the formula.

aid to the district = (20,000 X $500) - (.03 X 200,000,000)

aid 10,000,000 = 6,000,000 = $4,000,000

In this example, then, the dollar amount of State aid to our hypothetical district would be $4,000,000.

One important feature of the Minimum Foundation Plan is that the locality could raise its minimum rate above the required 30 mills without gaining or losing any State aid. By increasing its tax rate above the mandatory minimum, the locality would have an average per-pupil expenditure

higher than the $500 set by the State. Presumably this would enable the locality to provide useful innovations in its school programs.

Suppose the local district were so wealthy that by applying the mandatory tax rate to its assessed valuation it produced a sum larger than the $500 minimum required average expenditure per pupil. (That is, suppose D x E exceeded B x C in the formula above). Under strict Foundation Plan theory such a district would receive no State aid. It could either lower its tax rate to raise only the required minimum of $500 or it could apply any excess above $500 to raise its expenditure level.

4. Percentage Equalizing Plan

The Percentage Equalizing Plan is designed to make all localities within a State equally able to support any level of educational expenditure desired by the locality. The key difference between this plan and the former one is this: Who decides the amount of total expenditure in which the State will share? The State or the locality? Under the Minimum Foundation Plan the amount is decided by the State, under Percentage Equalizing the total amount is decided by the locality. Under both plans the State share varies with the local district's wealth measured by assessed valuation per pupil. The following formula

implements the Percentage Equalizing concept.[2]

(A)		(B)		(C)		(D)		(F)
Aid to any district	= .	100%	-	aggregate local share of total education expenditure in the State expressed as a percentage	x	assessed valuation per pupil in the district / (E) assessed valuation per pupil in the State		total school expenditure in the district

B minus C represents the State share. C x $\frac{D}{E}$ represents the percentage of the total expenditure which will be financed locally.

Does this formula seem more complicated? Let us assume some numerical values and see how it works.

Example

We will assume that our hypothetical local district has 20,000 pupils and decides to spend an average of $500 per pupil. Therefore, our district has set its budget at $10,000,000 (20,000 pupils x $500 per pupil). The question is: how much of the locally determined

---

2 $A_i = (1 - x\ Y_i/y)\ E_i$,
where A_i = grant to i th district,
x = arbitrary constant normally having a value between 0 and 1,
Y_i = assessed valuation per pupil in the i th district,
y = assessed valuation per pupil in the state,
E_i = school expenditure in the i th district.

The constant x, having a value ordinarily between 0 and 1, represents approximately the total local share of school support; accordingly, 1 - x represents the State share approximately. The State share can be adjusted downward by assigning a higher value to x and upward by assigning a lower value.
Source: Ibid. p 148

total expenditure will the State pay? In order to answer this question we will have to make some further assumptions about the hypothetical State and the local district. (Actually the records necessary to plug the actual information into the formula are kept at the State education agency.)

Suppose that the assessed valuation per pupil in our district is $15,000, but that the average assessed valuation per pupil in the State overall is only $10,000. (Hence our district is a good deal richer than the average in assessed valuation per pupil.) Also we will suppose that the State desires its localities <u>as a whole</u> to pick up 50 percent of the total costs of education. (It could be 25 percent, 90 percent, or anything.) Then:

(quantity B) =	100% a constant
the local share of expenditures (quantity C) =	50%
assessed valuation per pupil in the district (quantity D) =	$15,000
assessed valuation per pupil in the State (quantity E) =	$10,000
total school expenditures in the district (quantity F) =	$10,000,000

If we plug these values into the formula we find that

(A)		(B)		(C)				(F)
aid to our district	=	100%	-	50%	x	(D) $15,000 (E) $10,000		$10,000,000
	=	(100%	-	50% 3/2			)	$10,000,000
	=	(100%	-	75%			)	$10,000,000
	=	25%	x	10,000,000	=	$2,500,000		

Thus, State aid to our district will be $2,500,000.

If our district decides to raise its average expenditure from $500 per pupil to, say, $600 per pupil the dollar amount of State aid will increase. However, if all other factors in the formula remain the same, the State percentage of the total school expenditure will not grow. It will remain at 25%.

5. Guaranteed Tax Base

The Guaranteed Tax Base Plan is designed to assure every district in the State a given tax yield based on its own locally determined tax rate. Like the Percentage Equalizing Plan the total dollar amount of educational expenditures in which the State shares is determined by the localities. The formula is as follows:

(A)		(B)		(C)		(D)		(E)
Aid to our district	=	[the local tax rate	x	(assessed valuation per pupil that the State decides to guarantee	-	assessed value per pupil in the school district below the guaranteed level)	]	total number of pupils in our school district

Example

Let us assume that a local district has 20,000 pupils, taxes itself at a rate of 30 mills (.030), and it has only $10,000 of property value per pupil. The State wishes to guarantee valuation of $15,000 per pupil.

Then

the local tax rate (quantity B) = 30 mills (.030)

State guaranteed valuation (quantity C) = $15,000

local district valuation (quantity D) = $10,000

number of pupils (quantity E) = 20,000

$$\text{Aid} = \underset{(A)}{\quad} \underset{(B)}{\quad} \left(\underset{(C)}{\quad} - \underset{(D)}{\quad} \right) \underset{(E)}{\quad}$$

$$\text{Aid} = .03 (\$15{,}000 - \$10{,}000) \; 20{,}000$$

$$\text{Aid} = \$150 \times 20{,}000 = \$3{,}000{,}000$$

Thus the State grant to this school district would be $3,000,000.

CATEGORICAL GRANTS

Traditionally school finance experts have seen the problem of equalization, alluded to earlier, as being essentially two-dimensional. The first dimension of equalization requires that all normal pupils in regular school programs receive an adequate level of service without

undue burdens on the local taxpayer. General grants, discussed above, are designed to deal with this first dimension. The second dimension requires that pupils, teachers and districts in extraordinary situations receive extraordinarily high levels of State aid. Categorical grants are special funds established to meet these situations deemed by the State to be extraordinary.

Most (not all) categoricals are what might be called selective flat grants. A District's tax paying effort/ability usually is <u>not</u> taken into account when determining the size of a local district's categorical grant.

The definition of need for a categorical grant is this: Does the district qualify as being extraordinary under the terms of the categorical grant? For instance, the State of California has a special categorical grant for instructional television. Districts which do not have instructional television programs cannot take advantage of this categorical grant. All districts which <u>do</u> have instructional television programs receive a percentage of the cost of those programs <u>regardless</u> of their local ability to pay.

Occasionally categorical grants depend upon <u>both</u> extraordinary need <u>and</u> local ability to pay. An example of this is Indiana pupil transportation categorical grant. Indiana says in effect, "We will give all our

localities which transport pupils some State aid for each mile pupils travel, but we will give our richer districts less money per transported pupil than our poorer districts." Districts which do not transport any pupils do not receive any money from this categorical appropriation. But in Indiana the dollar amount granted by the State varies according to the wealth of districts which participate in the State's transportation grant.

Keep in mind that there are other ways to assure instructional television or pupil transportation besides establishing separate categorical grants. State laws simply could require local districts to offer these or any other services, or allowance for these costs could be included in the State's general grant. Many States follow these alternate methods.

One final word on terminology is appropriate here. States are usually referred to by the form names of the general grants they use. For instance States which use Percentage Equalizing Grants are known as Percentage Equalizing States even though they may have a number of categorical grants of the flat grant variety.

(See Tables 2 and 3 attached displaying the kinds and amounts of general and categorical grants in the finance programs of the fifty States.)

TABLE 2

CLASSIFICATION OF STATE AID FUNDS BY PURPOSE FOR
BASIC MULTI-PROGRAM AND SPECIFIC EDUCATIONAL PROGRAMS, 1968-69
(Millions of Dollars)

State	*Basic Multi-Program*	*Specific Educational Programs*					
		Early Childhood	*Compensatory Education*	*Special or Exceptional Education*	*Vocational Education*	*Adult and Continuing Education*	*Junior (or Community) College*
Alabama	$ 178.11	$	$ 0.10	$ 0.31	$ 7.49	$	$
Alaska	41.67*				1.61		
Arizona	147.76			1.34	1.95		
Arkansas	84.00			0.40	1.03	0.08	
California	1,032.75*	4.11	11.05	125.64	1.03	9.36	91.85
Colorado	82.60*		0.17	4.00			
Connecticut	97.67*		6.18	4.50	1.10	0.25	
Delaware	63.41						
Florida	497.75*			4.03	1.20		90.25
Georgia	291.77				7.28		
Hawaii							
Idaho	32.86				0.10		
Illinois	365.65*			23.77	8.96	3.28	
Indiana	194.66*		3.28	4.18	1.20	0.86	
Iowa	149.58*			3.50	12.00		
Kansas	100.10*			2.31	0.38		2.30
Kentucky	182.61						
Louisiana	270.03*			1.69	1.23	0.51	
Maine	35.54*			0.66	0.70	0.09	
Maryland	141.90*			17.50		0.81	5.50
Massachusetts	106.04			11.37			
Michigan	579.76*		2.00	30.00			
Minnesota	220.19*			8.50	9.90		
Mississippi	143.26						
Missouri	169.75			8.45	5.41		7.31
Montana	32.49				0.45		
Nebraska	30.32*			1.10	0.06		
Nevada	29.15*						
New Hampshire	5.29*			0.52	0.05		
New Jersey	168.57*			8.44	2.63	0.34	
New Mexico	105.34						
New York	1,817.70*		52.00		1.60		
North Carolina	338.24			1.18	11.51		
North Dakota	24.76			0.45	0.21		
Ohio	404.30*		8.81	10.14	5.79	0.12	
Oklahoma	86.85			0.78	1.20		
Oregon	73.90		0.60	2.75	0.13		8.32
Pennsylvania	607.66*		0.03	44.05	13.40		8.88
Rhode Island	35.20*		2.00	1.00			
South Carolina	128.54			0.05	6.09	1.61	
South Dakota	11.54*						
Tennessee	174.80			1.20	3.43		
Texas	625.69						
Utah	78.06*		0.80		0.24		
Vermont	32.99			1.87	0.50		
Virginia	249.76		1.71	5.86	8.92	0.12	
Washington	251.50*			14.80	3.75	0.66	
West Virginia	110.60			0.57	1.46		
Wisconsin	139.53*						
Wyoming	20.68*			9.59	6.86		
Total	$10,792.90	$4.11	$88.73	$356.50	$131.14	$18.09	$214.44

*Includes State Aid for Kindergarten.

Source: Alexander, Hamilton, and Forth, "Classification of State School Funds' Status and Impact of Educational Finance Programs op. cit. pp 42-3.

TABLE 3

CLASSIFICATION OF STATE AID FUNDS BY PURPOSE FOR SUPPORT PROGRAMS, 1968-69
(Millions of Dollars)

State	Support Programs														Total All Programs Tables 2 and 3
	Transportation	School Housing	Administration and Supervision	Textbooks	Emergencies and Contingencies	Orphans	Driver Education	Professional and Curriculum Improvement	School Lunch	District Organization	Libraries	Health Service	Other		
Alabama	$	$	$	$ 1.08	$	$	$ 0.19	$	$	$	$	$	$ 0.24	$	187.58
Alaska	2.94	1.62							0.23						48.31
Arizona															151.05
Arkansas	7.10		0.34	1.51		0.05					0.08		0.13		94.72
California	19.08			21.26		*	11.40						11.65		1,339.18
Colorado	4.75				0.30			0.16							91.98
Connecticut	5.43	16.00					1.04				0.17				132.34
Delaware	2.92	10.64													76.97
Florida		63.80		9.60			1.92								668.56
Georgia		28.80													327.85
Hawaii															**
Idaho															32.96
Illinois	14.57	1.90	2.54			1.11	5.75								427.53
Indiana	14.18	46.60													264.96
Iowa		4.75			0.05	0.15	1.70								171.73
Kansas							0.68								105.80
Kentucky				2.60											185.21
Louisiana		0.20		7.88			0.38		3.35				0.08		294.35
Maine		4.02	0.03				0.12			1.85			0.01		43.02
Maryland	21.20	50.50					0.73								238.14
Massachusetts	13.33	23.70				1.13			3.69						159.26
Michigan			3.25												615.01
Minnesota	19.00				0.70	0.20			0.50						258.99
Mississippi		6.66		2.53				5.18							157.63
Missouri	16.91	1.80		8.70		0.07		1.06							219.46
Montana	1.20					0.02	0.10								34.28
Nebraska							0.54								32.02
Nevada															29.15
New Hampshire		2.75	0.30							0.45					9.36
New Jersey	13.14	28.36			0.18								0.05		221.71
New Mexico	7.55			2.30	0.30		0.30								115.79
New York				25.29				10.00	13.01	41.00					1,960.60
North Carolina	2.84			8.61			5.12	0.29							367.79
North Dakota															25.40
Ohio	33.29						5.25	0.61					0.30		468.61
Oklahoma				2.67											91.50
Oregon	6.63	5.00					0.60								97.93
Pennsylvania	32.00	56.08	3.86		0.50	4.55	3.42			2.73		12.23			789.39
Rhode Island		4.10													42.30
South Carolina	10.56	18.01	0.20	3.50			0.30		0.36		0.20				169.42
South Dakota															11.54
Tennessee		10.38		3.91											193.72
Texas				17.42											643.11
Utah	2.20	4.24					0.50	0.07	1.67		0.50				88.28
Vermont		4.65					0.49								40.50
Virginia	8.75		2.85	2.21	0.15		0.94	1.88			1.15		2.01		286.31
Washington	18.50	13.00				2.30									304.51
West Virgina			0.06	0.30		0.03	0.13		0.40						113.55
Wisconsin															169.98
Wyoming	12.73						1.27								20.68
Total	$290.80	$407.56	$13.43	$121.37	$2.18	$9.61	$42.87	$19.25	$32.21	$46.03	$2.10	$12.23	$14.47		$12,620.02

*Negligible.
**State Budget.

Source: Ibid. p 44-5.

OTHER IMPORTANT ELEMENTS IN BOTH GENERAL AND CATEGORICAL GRANTS

WEIGHTINGS

Frequently in State aid formulas pupils and teachers are "extra-counted" for the purposes of distributing State aid. Extra-counting simply means that one pupil or teacher is counted as being more or less than one. Such weightings are designed to reflect the differences in the costs of educating certain groups of pupils. For instance, one State might "weight" kindergarten pupils as .5, elementary school pupils as 1.0, and secondary pupils as 1.36. If this same State distributed to its local districts $1,000 per pupil for grades 1-6, then it would automatically distribute $500 for every kindergarten child and $1,360 for every child in grades 7-12. Likewise teachers may be weighted on the basis of their degrees held and their years of teaching experience. Both general and categorical grants may be weighted.

MINIMUMS AND MAXIMUMS

For both fiscal and political reasons, States frequently like to assure all school districts at least some State money, but still place a maximum on the amount a single locality can receive. In practical terms this means that a few very rich districts may receive aid although they

don't deserve it by the strict terms of the formula. And a very few poor districts might not get as much State aid as they are entitled to by the strict terms of the formula.

In the case of the Percentage Equalizing Plans, State imposed maximums are particularly important. The reader will recall that under such plans localities determine the actual amount of total State spending. Without State imposed maximums, localities might decide that the State's required expenditure is larger than the State education appropriation.

Why do State aid formulas seem so complicated to the average reader? Minimums/maximums, weightings and grants based on differential local fiscal capacity explain nearly all of the complications. With this background actual State grants-in-aid systems should become easier to understand.

CHAPTER 3

THE LOCAL SHARE OF EDUCATION EXPENDITURES

DEFINITION OF LOCAL FUNDS

Chapter 2 focused on plans for the disbursement of State funds for education. Of course States do not spend most of these funds directly. Rather, they distribute nearly all of the money to localities in the ways outlined in the previous chapter.

In the United States as a whole less than half the total non-federal revenues for education come from State sources (see Table 4 on the next page). In 1969-70 localties contributed about 52.7 percent of all school revenues; about 6.6 percent of the funds came from the Federal Gcvernment.

For our purposes all locally-raised funds for education can be divided into two categories --

I. Local funds raised according to the State Plan: Foundation, Percentage Equalizing, and Guaranteed Valuation.

II. Local funds raised on the localities' own initiative outside the State Plan.

Funds raised through the State Plan are simply the local share in the last three formulas discussed in Chapter 2. The reader will recall that the Foundation, Percentage Equalizing, and Guaranteed Tax Base

TABLE 4

PERCENTAGE OF SCHOOL REVENUE DERIVED FROM STATE SOURCES, 1930-1970
(In thousands)

State	*1930*	*1940*	*1950*	*1960*	*1970*
U.S. Overall	17.3*	29.2	39.8	39.4	40.7
Alabama	40.8	54.1	71.6	65.3	63.0
Alaska	—	—	—	—	43.7
Arizona	19.6	18.8	33.8	34.0	47.5
Arkansas	33.7	43.2	58.1	46.6	45.5
California	25.6	45.9	41.3	40.6	35.0
Colorado	3.2	5.0	20.2	19.5	25.3
Connecticut	8.1	8.7	23.6	34.6	33.1
Delaware	87.9	84.4	83.5	82.5	70.6
Florida	22.8	50.4	50.8	56.5	56.5
Georgia	35.6	56.8	57.4	64.0	58.7
Hawaii	—	—	—	—	87.0
Idaho	7.7	10.7	23.5	27.6	43.2
Illinois	5.3	10.0	16.5	20.6	34.4
Indiana	5.5	32.2	37.4	29.9	34.9
Iowa	4.3	1.1	19.1	12.0	30.1
Kansas	1.7	10.9	24.0	19.2	26.1
Kentucky	26.1	40.0	35.1	45.8	52.6
Louisiana	26.9	52.3	69.6	70.2	58.3
Maine	28.6	15.6	27.8	25.8	44.9
Maryland	17.7	21.6	38.3	34.2	35.2
Massachusetts	9.5	10.0	20.5	20.0	20.0
Michigan	18.2	41.6	53.4	43.2	45.1
Minnesota	20.6	31.7	36.2	39.7	43.4
Mississippi	33.5	37.1	47.8	56.5	51.6
Missouri	10.6	32.1	38.9	31.0	34.5
Montana	14.1	7.2	25.3	23.6	30.9
Nebraska	5.4	1.0	6.2	6.5	20.0
Nevada	19.0	17.0	36.5	51.3	39.2
New Hampshire	9.0	5.1	6.2	6.3	8.5
New Jersey	21.2	5.5	19.0	23.7	28.5
New Mexico	21.8	45.3	86.0	74.4	62.7
New York	27.6	33.1	40.0	39.5	45.4
North Carolina	16.6	65.8	67.5	66.7	70.9
North Dakota	11.1	12.8	27.0	26.4	27.2
Ohio	4.1	35.3	31.4	27.7	31.6
Oklahoma	10.6	34.0	56.5	27.7	40.8
Oregon	2.3	.4	28.6	29.3	20.6
Pennsylvania	13.9	21.0	35.1	45.8	46.9
Rhode Island	8.6	10.3	20.2	23.2	34.5
South Carolina	25.5	48.6	55.2	66.6	61.6
South Dakota	10.1	7.6	12.1	8.9	13.6
Tennessee	24.7	33.3	56.9	58.0	49.3
Texas	42.6	39.4	61.8	50.0	42.8
Utah	33.6	37.3	50.3	44.0	51.4
Vermont	12.2	14.5	27.6	24.8	28.6
Virginia	27.9	31.2	39.6	37.0	36.6
Washington	28.9	57.9	65.6	61.6	58.8
West Virginia	8.3	50.7	62.7	52.9	48.2
Wisconsin	17.0	17.2	17.4	22.6	29.4
Wyoming	27.1	4.3	42.0	47.5	25.4

Source of Data: United States Office of Education except for the year 1970 which was estimated by the National Education Association.

*Includes 0.3 percent of federal funds.

Source: Ibid. p 22.

Plans each have a local component; that is, all localities are required to contribute a part of the total costs of education in their district. But under all three plans rich localities contribute more than poor localities. In the previous chapter we examined the theoretical mechanisms of the five State grant-in-aid plans. We also noted that in practice States can and usually do place limitations on the amounts they will spend. This is true no matter which type of formula they use. It is not necessary for the reader to understand the precise ways in which States limit their spending for education. The techniques involved in imposing these limitations differ from State to State and from formula to formula. Nevertheless, the practical result is that local districts frequently decide they wish to spend more money than is called for by the State Plan.

Often the State Plans themselves are responsible for a considerable portion of the disparities in expenditure among districts. This is due to minimums and maximums discussed earlier and to certain categorical grants which benefit rich districts most.

However, the additional money raised outside the State Plan is the major factor in creating inter-district expenditure differences and expenditure disparities are often very great. Typically per-pupil expenditures in some districts exceed by 2.5 times the expenditures in other districts within the same State.

In order to illustrate these inter-district disparities a sample model will be useful. Therefore, we will now turn to an examination of how State and local funding patterns, working together, act to create such vast differences in expenditure per pupil.

STATE-LOCAL EDUCATION EXPENDITURES: AN ILLUSTRATION

Let us assume a hypothetical State which uses a Minimum Foundation Plan similar to the one outlined in Chapter 2. This State has set the foundation level at $500 per pupil, and a tax rate of 20 mills as the required local share. Let us further assume that this State has imposed a minimum and maximum on the amount any local school district may receive from the general aid (Minimum Foundation Plan) distribution. No district, no matter how poor, can receive more than $350 per pupil; and no district, no matter how rich, can receive less than $100 per pupil. The average per-pupil expenditure in the State is $700.

The hypothetical State has two districts

Y	Z
100 pupils	100 pupils
500,000 total assessed valuation	3,000,000 assessed valuation
A tax rate of 30 mills	A tax rate of 25 mills

Note that both districts choose to tax themselves above the required rate of 20 mills. Thus their locally-raised revenues for education

can be thought of as having two components: (1) local money required as part of the Foundation Plan, (2) money raised on the local initiatives above the requirements of the Foundation Plan. This second element in the locally-raised funds is a different rate for the two districts, 10 mills for District Y and only 5 mills for District Z. Since this additional second amount is purely a matter of local choice, localities may levy a tax as far above the required 20 mills as they wish subject only to statutory limits. However, all of the assumptions made here are entirely reasonable in light of the existing situations in many States.

To recapitulate then, the elements required for our analysis are these

For the State	For District Y	For District Z
1. $500 foundation level	1. 100 pupils	1. 100 pupils
2. $350 per pupil maximum grant	2. $500,000 total assessed valuation	2. $2,000,000 total assessed valuation
3. $100 per pupil minimum any locality can receive	3. 30 mills actual tax rate	3. 25 mills actual tax rate
4. 20 mills required tax rate		

In order to find the amount of State aid that goes to each of our two districts, we need to assign the numerical values to their proper places in the Foundation Formula.

The Foundation Plan Formula is:

$$\text{State aid to any district} = \left(\begin{array}{l}\text{(B) number of pupils in that district}\end{array} \times \begin{array}{l}\text{(C) dollar value of the Foundation program}\end{array}\right) - \left(\begin{array}{l}\text{(D) required local minimum tax rate}\end{array} \times \begin{array}{l}\text{(E) the property tax base of any district}\end{array}\right)$$

District Y	District Z
(A) (B) (C) (D) (E)	(A) (B) (C) (D) (E)
State aid = (100 x $500) - (.020 x $50,000)	(100 x $500) - (.020 x $2,500,000)
= $50,000 - 10,000	= $50,000 - 50,000
= $40,000	0

Then under the strict terms of the Foundation Plan District Y gets $40,000 or $400 per pupil and District Z would get nothing. (The reader should note that in order to determine the amount of State aid it was erroneously assumed that each district taxed only at the required minimum local rate. This assumption is an important part of the Foundation Plan. If the actual tax rate had been used, District Y would have lost the State money.)

However, the basic terms of the Minimum Foundation Plan do not apply. We have already stipulated that no district will receive more than

$350 or less than $100 per pupil from the Foundation Plan grant. Thus under the revised terms District Y will get $35,000 instead of $40,000 and District Z will get $10,000 instead of nothing.

Up to this point, then, District Y received $35,000 from the State plus $10,000 in locally-raised Foundation Plan funds for a total of $45,000 or $450 per pupil. District Z receives $10,000 from the State plus $50,000 from locally-raised Foundation Plan funds for a total of $60,000 or $600 per pupil.

Heretofore we have not taken into account the extra funds raised on the district's own initiative beyond the mandates of the Foundation Plan. Locality Y levied a tax of 30 mills, or 10 mills above the required minimum; Locality Z levied a tax of 25 mills, or 5 mills above the mandatory amount. However, the additional levy of 10 mills, when applied to the tax base, brings District Y only $5,000. (.010 x $500,000) But an additional 5 mill tax levied by District Z yields $12,500. (.005 x $2,500,000)

In summary then

District Y spends

$35,000 State aid from Foundation general grant

$10,000 as the required local share of the Foundation Plan

$ 5,000 additional yield from local mill levy

$50,000

District Z spends

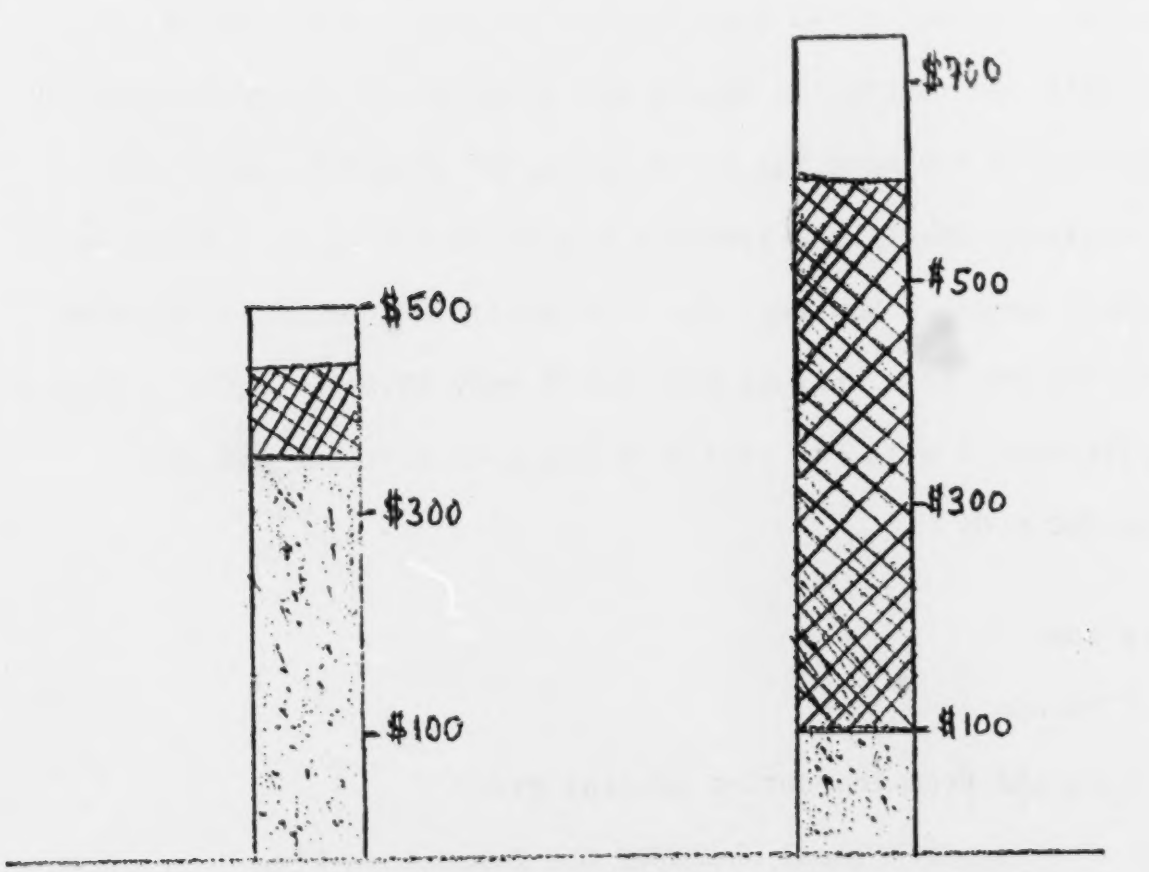
$10,000 guaranteed minimum in State aid from Foundation Plan general grant

$50,000 required local share the Foundation Plan

$12,500 additional yield from local mill levy

$72,500

EXPENDITURES PER PUPIL



District Z is buying more educational services at a lower cost to the local property taxpayer. District Y is paying more and buying less.*

District Z is spending at a rate above the average level of all districts in the State. District Y is financing its education at a level considerably below the State average.

At the risk of repetition, it should be emphasized that the assumptions made in the foregoing illustration are neither unreasonable nor exaggerated. The illustration above contains several key elements; these should be noted.

One of these key elements is assessed valuation per pupil. Assessed valuation per pupil is the measure most States use to determine local wealth. In the illustration the assessed valuation per pupil was five times as great in one district as in the other. But in actuality the range among districts in assessed valuation per pupil can be far greater. Ratios of 15 to 1 and more are not uncommon (see the first Appendix in volume two). In plain terms this means that in the example District Y was five times more able to support education than District Z. But it is not uncommon for the richest districts to be fifteen times (or more) as able to support education than the poorest districts within the same State.

*Because most categorical grants are not distributed on the basis of a district's wealth or poverty, they are excluded from analysis in our model. In our two-district samples it would be a reasonable assumption that both districts receive equal dollars from the states' categorical grants.

A second key element in the example is the expenditure level set by the State in its Foundation Plan. In our example the Foundation level figure is $500 and the average expenditure figure is $700. This means that in the hypothetical State the minimum is about 5/7 or 71 percent of the State average. Again this figure is realistic or even on the high side. For instance the basic general grant in New York, a State often considered a leader in education, is only about 60 percent of the State average.

It is generally agreed that the closer the Foundation level is to the average expenditure level the more likely it is that most districts in the State are spending roughly equal dollars per pupil without undue burden on the local taxpayers in any district. The further the Foundation level drops below the average expenditure level, the more likely it is that inter-district disparities in tax burdens and pupil expenditures will be very great. The evidence presented here, while not conclusive, suggest that our hypothetical State is doing far better than, say, New York in equalizing per-pupil expenditures and school tax burdens among its localities.

In the final analysis the type of grant used, percentage of funds raised locally, assessed valuations, etc., matter very little except as they influence school expenditures and student learning. Therefore, the last key element in our example is the average expenditure per pupil.

Although educational researchers do not as yet understand the precise relationship between school expenditures and student learning, evidence shows that the two are related.

In our example District Z spent $725 per pupil to District Y's $500 per pupil. In many States the richest districts spend two to three times as much per pupil as the poorest district. What does this mean in terms of extra services? It means that District Z will be able to pay its teachers considerably more than District Y. Other school personnel also will be better paid. District Z will be able to afford newer textbooks, order more up-to-date audio-visual materials, and probably provide a more pleasurable environment for teachers and students alike. In light of these facts one can only conclude that equality of educational opportunity is not yet achieved.

CHAPTER 4

RECENT LEGAL CHALLENGES TO THE STATE SCHOOL FINANCING SYSTEMS

Legal challenges to the apportionment of State funds for education are not new in American jurisprudence;[1] however, this chapter will deal only with a series of cases which began in 1968. The legal rationale presented by the plaintiffs in these court suits had its intellectual origins in the book, Rich Schools Poor Schools, by Arthur Wise,[2] but initial legal challenges to present school funding systems were markedly unsuccessful in court.

More recently the legal arguments presented by Wise have been refurbished and argued before the courts in a different form. (Another book, Private Wealth and Public Education, by John Coons, William Clune, and Stephen Sugarman, [3] is connected with this renewed legal effort.) The plaintiffs' briefs in several of the more recent cases have followed this second, slightly different, line of reasoning. One of the cases in the second round has been notably successful: Serrano vs. Priest, in California.*

This chapter will review three Appellate Court decisions in suits challenging State methods of school financing. The major differences between the Wise and Coons, Clune and Sugarman rationale will be examined in order to demonstrate the probable reasons why the initial suits failed while the later attempt succeeded (at least in California).

---

[1]Sawyer v. Gilmore, 83 A. 673 (1912).

[2]Arthur E. Wise, Rich Schools Poor Schools , Chicago: University of Chicago Press, 1968.

[3]Coons, Clune, Sugarman, Private Wealth and Public Education, Cambridge: Belknap, Harvard, 1970.

* Supp., 96 Cla. Rptr. 601

The first Court suit challenging the apportionment of school funds was filed in Virginia.[4] The complainants, residents of Bath County, alleged that the State system for funding education discriminated against them because the county is poor, thus denying them the equal protection under the law. Tax rates in Bath County were set at the legal maximum permitted by the State; however, due to county poverty and a low tax base their expenditures were low.

The remedy sought by the complainants was a State system which assured expenditures based on "educational need," not local wealth.

The Court noted that "....cities and towns receive State funds under uniform and consistent plan." The fact that the State law applied equally to all districts in similar categories was an important element in the Court's decision against the complainants. But another important element was the impreciseness of the term "educational need" from a legal point of view.

> Actually, the plaintiffs seek to obtain allocations of State funds among the cities and counties so that the pupils in each of them will enjoy the same educational opportunities. This is certainly a worthy aim, commendable beyond measure. However, the courts have neither the knowledge, nor the means, nor the power to tailor the public monies to fit the varying needs of these students throughout the state. We can only see to it that (state) outlays on one group are not invidiously greater or less than on another. No such arbitrariness is manifest here.[5]

---

[4]Burruss v. W. Wilkerson, 310 F. Supp. 572 (1969).

[5]Burruss v. W. Wilkerson, 310 F. Supp. 572, 574

A similar case was filed in an Illinois Federal Court.[6] The facts and plaintiff's allegations in the Illinois case closely paralleled those in Virginia. The range among school districts in expenditures per pupil was about 3 to 1. The State imposed limitations on local tax rates effectively prohibited poorer school districts from spending as much as their wealthier counterparts. And because of vast disparities among districts in assessed valuation per pupil, some school districts with high tax rates actually spent less than other districts with lower tax rates. Plaintiffs claimed that this situation violated their Fourteenth Amendment rights, and asked the court to require school spending based on a standard of pupil need under the concept of equal educational opportunity.

The Court upheld the constitutionality of the Illinois school financing system. Its decision was based on these two conclusions: (1) the Fourteenth Amendment does not require that public school expenditures be based only on pupils needs, and (2) equal educational opportunity is an imprecise legal standard. There is no clear way to tell if the standard has or has not been achieved.

The Court based its conclusions on the following rationale. First, the Illinois school funding plan does have several good features. A minimum expenditure level is guaranteed to all students. The guaranteed minimum expenditure level is frequently increased by the Legislature, thereby

---

[6]McInnis v Shapiro 293 F. Supp 327 (1968)

constantly upgrading the quality of education. The State funding plan allocates more dollars per pupil to poor districts than it does to wealthy districts, thereby mitigating differences in local tax paying ability.

Second, elimination of inequalities in per-pupil expenditure would require major changes in the State system for local property taxation. However, local property taxation has an adequate rationale -- the desirability of decentralized control -- and local variations in expenditure serve valid purposes. For instance, some localities might have different preferences for education; education costs more in some places than others; local taxation permits local educational experimentation.

Third, there is no legal precedent for striking down the Illinois financing system as unconstitutional. The plaintiffs case was based upon precedents invalidating racial discrimination in education, geographical discrimination in voting, and wealth discrimination in criminal cases. On the basis of these decisions the plaintiffs contended that the present funding system constitutes discrimination in education on account of geography and wealth (a local district's assessed valuation per pupil). The court — making clear distinctions between cases involving race, reapportionment, and criminal justice on the one hand and school finance on the other -- found the argument novel but not persuasive.

In 1969 the Supreme Court of the United States summarily affirmed the lower court's decision.

The recent California Supreme Court decision contrasts sharply with earlier legal cases challenging the State school fund distribution methods. Of course, the most notable difference is that in California the plaintiffs were successful but in Virginia and Illinois they were not.

There are two principal reasons why the California suit succeeded where the others had failed. First, the plaintiffs refurbished their legal arguments describing exactly how the present funding system is unjust. This resulted in a line of reasoning more acceptable to the legal mind. Second, in California the remedy proposed to correct the injustice was different from the remedy proposed in the Virginia and Illinois cases.

The differing legal arguments can be summarized briefly. The earlier cases were based on the following reasoning. The U. S. Constitution forbids:

1. racial discrimination in education
2. discrimination against indigent criminals (who cannot afford legal aid)
3. discrimination against voters on the basis of residence
4. Therefore, discrimination in education on the basis of indigence and location ought to be declared unconstitutional.

However, the rights of racial minorities, the right to personal liberty and the right to vote, are all rights explicitly guaranteed by the U.S. Constitution. The right to equal educational opportunity is not explicitly mentioned in the Constitution.

The Coons, Clune, and Sugarman rationale, used in Serrano v. Priest, cites many of the same precedents used in earlier cases to construct a slightly different rationale. The revised reasoning builds the point of view that education is a "fundamental State interest," equal in importance to the right to vote, the right to liberty, or the right to equal treatment regardless of race. Thus Coons and Sugarman would have the Courts elevate education to the level of a Constitutional right necessarily available to all persons within a State on equal terms, regardless of their community's wealth.

The plaintiffs in earlier cases failed to bridge the constitutional gap between education and other spheres of life -- voting, race, etc. They attempted to prove that classification of children on the basis of district wealth -- the effective result of the present funding system -- was arbitrary and not related to any reasonable State purpose. Hence the classification should be struck down. However, the Courts found that such classification as the State set up (i.e., local school districts) do have a rational purpose and are not arbitrary.

On the one hand, Coons et al draw educational finance into the "charmed circle" of basic rights guaranteed by the Constitution. On the other hand,

they offer a remedy for correcting the inequities inherent in the present funding system without eliminating local control over the magnitude of expenditures, if local control is deemed desirable by the State. The remedy is a funding system called Power Equalizing under which the State guarantees to all local school districts a given tax yield per pupil for any tax rate they are willing to levy.

In place of the legally nebulous concept of equal educational opportunity Coons, Clune and Sugarman offer the following constitutional test: "the quality of public education may not be a function of wealth other than the wealth of the State as a whole." The plaintiffs success in the California case was due to both the legal rationale and the constitutional test they proposed.

The facts in the California case were not markedly different from these in Virginia or Illinois. Wide variations in per-pupil expenditures are due to varying levels of wealth and tax effort among localities. The State Foundation Plan provides a greater percentage of funds to poor school districts than to wealthy ones. However the tempering effect of State aid is inadequate in its result.

The first important legal distinction between the California and Illinois cases is the California Court's classification of education as a constitutional

right which must be provided to all on equal terms. Thus, school finance is a fundamental State interest requiring that expenditures not be a function of the wealth of the locality in which a child happens to reside. The California Court cited no legal precedents for its point of view that school finance is a "fundamental interest." However, it noted that, "The fundamental importance of education has been recognized in other contexts by the United States Supreme Court and by this Court," in cases involving school bus transportation, racial integration, and the right to attend public schools. Comparing education to other "fundamental interests" the Court stated that "....in a larger perspective, education may have far greater social significance than a free transcript or a Court appointed lawyer." (These items are guaranteed to indigent criminals by earlier Supreme Court decisions.) The right to vote is guaranteed by the Constitution to all people on equal terms regardless of wealth and "....education makes more meaningful the casting of the ballot."*

The second major difference between the earlier and later cases is the later finding that the present revenue raising system serves no compelling State interest. If the purpose of decentralized funding is to allow local fiscal choice, the present funding system effectively prohibits poor districts from exerting that choice. For them a heavy tax yields little revenue; therefore, poorer school districts have only a little leeway in determining their expenditures.

---

*Supp., 96 Cal. Rptr. 601, 616, 618

The conflicting results of the opinions handed down by the Illinois and Virginia Federal Court and the California State Supreme Court will probably be settled finally by the United States Supreme Court. Coons and Sugarman, lawyers for the plaintiffs in the successful California case, have proposed a legal "remedy" for the present inequitable method of school finance which is far more workable than the one proposed earlier. The lack of a legally viable remedy was one major factor in the Illinois decision against the plaintiffs. However, it remains to be seen whether the Supreme Court will accept the Coons-Sugarman argument that education is a fundamental interest constitutionally guaranteed to all on equal terms regardless of local school district wealth.

The Court decisions handed down as of this writing provide little precise guidance for remedial action to the concerned educator. This is as it should be. The duty of the Courts is not to prescribe wise educational policies, but rather to proscribe the limits beyond which educators legally may not go. Even if the California State Supreme Court decision should be upheld by the U.S. Supreme Court, educators will still have to decide (1) whether school funding should be a State function solely or a joint State-local function, and (2) how school funds should be expended. The Courts will not and should not be relied upon to establish a precise definition of equal educational opportunity. That task must be left up to educators working through the political process.

Lawsuits challenging State school finance systems compiled by the Lawyers Committee for Civil Rights Under Law are included in Appendix B of this report.

CHAPTER 5

ORDERING PRIORITIES IN EDUCATION

INTRODUCTION

Perhaps no subject has received more attention in recent years than equality of educational opportunity. Yet despite all this attention no concept remains as vague both to the layman and to the professional educator.

Why are the difficulties so formidable?

First, there is considerable confusion in the governance of education. All three levels of Government acknowledge some responsibility but there are no generally accepted lines of demarcation between Federal, State, and local authority. Even if we could agree on definition of the term equal educational opportunity there would still be a problem in deciding which level of Government is responsible for its achievement.

Second, curricula vary greatly among school districts, d each stream of education has different objectives. Consequently, individuals undertake education for very different purposes. How can this diversity in educational objectives and individual goals be reconciled under the general rubric of equality in education?

Third, a considerable part of the difficulty is due to educators themselves. Too often they have attempted to define the term "equal educational opportunity" with grandiloquent phrases ignoring the complex differences in the authority structure and value systems which permeate American education. Usually these definitions are little more than a vague polemic about individual fulfillment and societal responsibility. On this side of Heaven such statements are virtually useless. Equality of educational opportunity cannot be fully defined in 25 words or less.

DIMENSIONS OF EQUAL EDUCATIONAL OPPORTUNITY

This chapter attempts to identify and discuss the components involved in achieving a meaningful definition of the term. Each of the dimensions identified above -- the curricular, the definitional, and the governmental -- will be discussed in turn. A fundamental assumption is that each of these three elements are inter-related. Meaningful policy making is impossible unless all three elements are considered together.

THE CURRICULAR DIMENSION

Each level of education has its own special purposes. Basic education takes place in the primary grades. Skills learned in these years are essential for successful functioning in life at a minimal level. Sometime during the high school years the focus of a young

person's education changes markedly. High school students concentrate on job-related or pre-collegiate education, but they also may be encouraged or even required to take courses which are considered to be in the public interest (e.g., civics or driver education). Basic preparation (i.e., at least through high school) for careers and for social responsibility are co-equal and complimentary tasks of American high schools.

Throughout the entire schooling process students undertake certain activities at public expense largely for personal fulfillment and private enjoyment. Examples of these are dancing classes or sporting events outside the regular physical education program. Assigning definitions of equality and levels of responsibility may be different here.

Of course there will be differences of opinion about precisely which courses of study fall into each of the three categories: basic education, career education, and private interest education. But probably most people would agree that it is important to make these distinctions. Otherwise each normal student would be equally entitled to exactly the same set of educational services as every other student. This might result in exactly the kind of leveling which the opponents of equal educational opportunity forecast.

THE DEFINITION DIMENSION

Too often equal educational opportunity has been defined in the abstract, without reference to assigning the level of Government responsibility or the types of instruction included. This is unfortunate because it results in unworkable definitions.

This is not to imply, however, that definitions are unimportant. Definitions are necessary when combined with the curricular and governmental elements. However, the definitions need not be universal. Rather the preferred definition depends upon the level of Government and the type of education under consideration.

With this in mind we can begin to look at several definitions of equal educational opportunity.* First, equality could be defined in terms of equal expenditure per pupil. Under this definition educational units would have to spend the same number of dollars on services for each pupil. Second, equality could be defined in terms of educational services, the costs of which would vary depending upon the location and organization of each educational unit. Third, equality could also be defined in terms of student performance on achievement tests. This definition would require that vastly different services and sums of money be spent on different students in order to bring each student up to an acceptable standard.

*The three definitions considered seem to this author to be the most reasonable ones suggested. For a fuller discussion of these and other definitions see Arthur Wise, Rich Schools Poor Schools (Chicago: University of Chicago Press, 1968) ch. 8.

So far the definitions have been expressed in terms of individual students. However, mathematical preciseness may not be possible or desirable in each individual case. It would be more reasonable to express the definitions in terms of groups of students. These groups could be based on students' grade levels, socio-economic characteristics, or courses of study. Any identifiable group of students could be classified separately from other groups. If the classification were made according to rational criteria related to educational need, no violations of the definitions established in the last paragraph would occur.

On the other hand,pupil classifications based on criteria not related to educational need are antithetical to the idea of equal educational opportunity. For instance, pupil classifications should not be based on factors like district wealth or location. Most educators agree that the racial and social mix of each school building should reflect the composition of the community as a whole.

THE GOVERNMENTAL DIMENSION

Perhaps the most important decisions regarding equal educational opportunity are political ones. Within what jurisdiction shall opportunity be equalized? In terms of school financing, is it sufficient to make the funding of a child's education dependent upon the wealth of a local district? Or should the level of educational expenditure be a function of the wealth of the State as a whole? The three

political jurisdictions which must be considered are the local school district, the State, and the Nation. However, constitutional and statutory arrangements are different for each level. All local Governments including local school districts are merely creatures of the State. As was noted earlier, States may impose any regulations they wish upon local jurisdictions, or even abolish them entirely. The same legal relationship, however, does not exist between the States and the Federal Government. States are semi-autonomous; they may not be abolished and may do anything not proscribed by the United States Constitution. Since the Constitution has only a slight bearing on education, States are, legally speaking, the most important educational unit. These legal arrangements must be kept in mind when prudent educational policies are being considered.

Since local Governments are established for the administrative convenience of the States, their taxing powers are limited by State statutes. Localities are also frequently constrained by the practical necessity of keeping their tax rates in line with neighboring communities. Volume two of this project demonstrates that localities vary markedly with respect to the size of their tax bases. In most States the wealth (however defined) of some local jurisdictions exceeds that of other jurisdictions by at least three to one. (States themselves vary with respect to taxable resources, but the variations are not as extreme as the typical variations

among localities within the same State.) These intra-state differences in fiscal capacity must be kept in mind when devising practical solutions to educational finance problems.

Another practical political factor constraining educational policy-makers is the fact that historically education has been largely a local responsibility. Most Americans traditionally view all phases of education, including finance, as primarily a local matter. Any departure from the status quo always encounters opposition. This is especially true today when community control is such a major issue and many people are imbued with the false notion that full State funding inevitably leads to full State control over all phases of school operation.

The fundamental conflict is this: under law the State is responsible for school funding; in fact localities have exerted primary control over school funding, as they have over all other phases of school operation.

Summarizing, these are the dimensions which must be considered in seeking equal educational opportunity as a workable goal.

Curriculum -- Should every course offered be available on the same terms available to all children? If not, which courses of study should be universally available and what courses selectively available. Are there any studies which should not be publicly financed under any condition?

Definition -- There are three possible definitions: equal dollars, equal educational services, equal levels of educational attainment. Should these definitions be applied to individual students or to groups of students (e.g., normal students, gifted students, etc.)? If classifications of students are made, these classifications should be based on special educational need, not on irrelevant factors like district location or district wealth.

Political -- What is the proper role of each level of Government in the governance of education. Should the quality of a child's education be a function of local community wealth or the wealth of the State as a whole? If some form of State-local partnership in educational funding is desired, what will be the role of each partner?

MAKING CHOICES AMONG AID FORMS

Here we will not attempt to discuss all conceivable aid forms. Instead the discussion will be limited to those six distribution mechanisms which are currently in use or which seem likely to accomplish important societal goals. Three of the six models combine State and local funding; three are full State funding models.

Six fund distribution models will be defined and the operation of each will be outlined.

The six models are:

1. Traditional Formulas
2. Power Equalizing
3. District Equalizing
4. Full State Funding
5. Full State Funding of specific educational services or programs
6. Full State Funding with limited local supplementation

1. Traditional Formulas

The traditional formulas are Flat Grant, Percentage Equalizing, Strayer-Haig Minimum Foundation, and Guaranteed Tax Base. Earlier chapters of this project have discussed the operation and results of traditional formulas in some detail. That discussion will not be repeated here. Whichever one of the four is used, States typically allow substantial local fiscal supplementation beyond the mandates of the State-wide programs.

Although each of the four types of formulas differ in its precise mechanism the results of all four are about the same. First, the State distributes most of its money in

such a way that makes all local districts equally able to support a minimal level of educational expenditure. Second, most local districts raise additional money beyond the mandates of the State plan. The amount of additional money raised is a function of local wealth. Thus the wealthiest localities typically raise the most money. As a result, these local funds directly undercut the State's efforts at financial equalization.

2. Power Equalizing Plan

Power Equalizing guarantees a given tax yield (that is, a given number of dollars per pupil) for any tax rate a local district chooses to levy.

Suppose, for example, the State wishes to guarantee $25.00 per pupil for every mill levied. Then, if District A levied a tax of 30 mills, it would spend $750 per pupil ($25 x 30 mills). If District B taxed at only 20 mills it would spend at the rate of $500 per pupil ($25 x 20 mills). In this way expenditures of every local district would be entirely a function of its tax effort, not its local assessed valuation.

The only feature distinguishing this from traditional formulas is that local districts which raise a dollar amount per pupil in excess of the State guaranteed amount would

have to pay back the excess to the state for redistribution to poorer schools (i.e., those with less valuation per pupil). The following table illustrates this.

(1) District Name	(2) Actual yield per pupil from a 1 mill tax	(3) Guaranteed yield per pupil from a 1 mill tax	(4) tax rate selected by each district	(5) actual tax yield per pupil (col 2 x col 4)	(6) guaranteed tax yield per pupil (col 3 x col 4)	(7) difference between actual and guaranteed yield (col 6 - col 5)
A	$35	$25	30	$1050	$750	- $300
B	$10	$25	20	$200	$500	+ $300

Thus in the example school district A would be required to pay $300 per pupil to the State. District B would receive $300 per pupil from the State.

If district B were willing to tax itself at the rate of 30 mills (instead of only 20 mills as was assumed in the example) it too would spend $750 per pupil. However the primary purpose of the Power Equalizing Plan is not to equalize expenditures among districts within a State, but rather to tie tax yields directly to tax rates.

3. District Equalizing Plan

This model is motivated by the findings in the educational research done in the past ten years. Educational research shows that children of middle-class parents tend to do well in school; children of poor parents tend to do poorly. Thus, a school district's educational success is largely determined by the socio-economic composition of its students.

The ultimate purpose of District Equalizing is to equalize districts levels of educational achievement by spreading wealthy families and poor families equally throughout the school districts in a State. This plan requires that a local school income tax replace the property tax as the local source for school funding. The local school income tax would be progressive in the typical manner. But the tax also would be "double progressive" because the amount of school tax any person pays would depend on (a) his own income level, and (b) the average income level of the school district in which he lives. Thus, a person making $20,000 and living in a school district with high average income would pay more local school income tax than a person making $20,000 and living in a school district with a low average income level.

The level of expenditure which the State supports would vary inversely to the average income level of each local school district. That is, the State would guarantee to districts with below average income levels a higher level of expenditures per pupil than it would districts with high income levels.

The rationale for such an expenditure system is a simple one. Children from low income families and low income environments (school districts) need a higher level of expenditure to reach educational attainment levels as high as those of children from wealthier families and environments.

Citizens of wealthy communities, confronted with high State taxes and lower State aid, would have three options. (1) They could keep their community wealthy and exclusive and simply pay the tax. (2) They could build lower income housing in their community and invite the less well-to-do into the neighborhood. (This would lower the average income level of the school district and hence reduce school taxes.) (3) Individual citizens in wealthy communities could move to a less expensive community. All three of these options would produce desirable outcomes.

If option one is chosen, the wealthiest communities would receive no State aid whatsoever. They would fund education entirely from local sources since their tax rates would be very high indeed. This is entirely equitable because these wealthy school systems in exclusive communities are really quite comparable to private schools. Under options two and three, local wealth, as measured by family income, would be more equalized throughout the State. Pockets of wealth and poverty located close together would tend to disappear, (or at least, the extremes would be mitigated) because it would be to the advantage of each person to live in a community with an average wealth lower than his own.

This system might accomplish more to equalize the performance levels of children in various school districts throughout the State than the current reliance on purely legal mechanisms -- like court-ordered massive busing and racial desegregation.

The object of such a plan would be to equalize districts, not with respect to money available, but with respect to those things which make a much greater difference in education; namely, the socio-economic level of the students. By taxing and spending different amounts the population

would be redistributed and the attainment levels of students in different school districts would be equalized.

4. Full State Funding

Contrary to popular belief Full State Funding does not require State control over the operation of schools. Legally States may exercise whatever controls they wish regardless of what governmental unit raises the money. Empirically, studies show great variation in the amount of control States choose to exercise.* But there seems to be no relationship between the degree of State control and the percentage of State funding.

The simplest model for Full State Funding would require no State control over the operation and control of local school districts. States would, of course, determine how much money each local school district had at its disposal.

The simple key to this plan is that the State would take over the entire revenue raising responsibility. Under this plan funds could be distributed on a weighted or unweighted pupil basis. If weights are used they

*See Chapter 4 of this study.

should be established by a non-partisan State body as independent from politics as possible (e.g., the New York State Board of Regents). The weightings should be reviewed by the board frequently and changed when necessary.

State Legislatures would appropriate education funds in such a way that local school districts will know roughly how large their basic budget will be well in advance of the actual State fund distribution. This is essential for sound local planning; the further in advance the State education fund is determined, the better the local planning will be. In order to achieve the benefits of advanced planning Legislatures could establish education trust funds with biennial appropriations or it could set up 3-5 year appropriations which should be inviolable once they are made.

In addition to the basic fund described above, the State should establish an incentive fund to encourage local educational innovation. This fund would not have to be set aside by the Legislature more than one year in advance. Its size could depend upon the general fiscal circumstances in which the state found itself in any given year. Local school districts would have prepared contingency plans for the expenditure of these extra monies. The same State body assigned the tasks of weightings would decide for or against each local plan

on the basis of its merit. This innovation fund would serve as a basis for cost-effectiveness studies of various curricular programs and teaching strategies. The weightings established by the State board would be revised periodically on the basis of the studies and experiements financed by the innovation fund.

Past experience with these State innovation funds indicates that wealthy school districts generally benefit most from them. One way to circumvent this difficulty would be to set aside a certain percentage of the innovation fund for various types of districts -- rural, suburban, small, large, etc. This would encourage each type of district to compete for the funds only with districts of similar capacities.

The advantages of such a plan are numerous. Perhaps the greatest advantage is that local school boards and administrators would be freed from the burden of worrying over their financial situation and could concentrate exclusively on education. Such a system would place emphasis on the efficient management of a school system, local officials would be free to use whatever combination of inputs they wish. They could employ any mix of teachers, any mix of instructional materials, and any mix of support services. This Full State Funding model provides the fullest equalization of educational dollars to all children regardless of where they live.

The obvious drawback to this plan is that local school districts could not determine the magnitude of the educational resources which they could invest except insofar as they benefit from the innovation fund.

5. Full State Funding of Specific Educational Services or Programs

Under this model States would fully fund certain educational services or programs, local districts would be free to fund other services/programs to any extent they wish. This model addresses itself to the deficiencies mentioned in the last sentence above, namely it might be deemed desirable for local education agencies to have independent rights to finance locally those educational programs which are largely in the local interest. It could be argued that local districts should have the right to conduct these activities but that people from other localities should not have to help fund them.

This funding model, like the previous one, would require appropriations 3-5 years in advance. A non-partisan State board would set the pupil weightings. There would be both the basic fund and an innovation fund.

This model (five) differs from model four in the degree of State control required. Under this model the State board

would determine exactly the educational services or programs for which the State funds could be spent. Local school districts could not spend more than the State allotment for those purposes designated by the State as being essential. For instance the State board might decide that certain components of the school program serve a public (i.e., State) purpose. This would mean that local districts could not supplement their State allotment for these components with local funds. On the other hand the State education board might decide that inter-scholastic athletics, for instance, serve a purely local purpose and should be entirely paid for out of local taxes.

If the conceptual distinction is clear, the practical difficulties of such a plan are enormous. For instance, suppose that the State decided to fund physical education facilities but not to fund facilities for inter-mural competition. How would the costs be apportioned for a gymnasium which serves both purposes?

Obviously elaborate State regulations would have to be established outlining which budget items are State financed and which are locally financed.

Since the most important educational activities would be financed entirely by the State, presumably the State would not allow the quality of these essential programs to become inadequate. Model five would create substantial State controls. However, local school districts could use their own tax sources to provide the extras which are of purely local benefit.

Also model five has some interesting possibilities from a budgetary point of view. States could establish conventional line-item budgets funding such items as teachers salaries, textbooks, etc. Or States could establish program budgets, funding Physical Education, English, etc., allowing local school districts to establish whatever mix of services they prefer.

6. Full State Funding with Limited Local Supplementation

Under this model each locality would be allowed to supplement its State appropriation in any given percentage amount, say 10 percent. Thus if the State appropriation to a local district were say $1,000,000 the locals could spend up to $1,100,000. Like other Full State Funding models this model also envisions a State-wide non-partisan weighting body, ample time for localities to plan the expenditures of State funds, and establishment of a fund for innovation, as well as a basic fund.

Like the previous Full State Funding model, local supplementation would be permitted here. The local revenues would provide any extra services deemed desirable locally. But under the previous Full State Funding model, the kinds of extra services any local school district could provide were proscribed but their costs were not. Under this model the kinds of extra services are not proscribed but their costs are. The rationale for this plan would be that the extra 10 percent is of purely local import.

Existing school funding mechanisms have their drawbacks, but so do nearly all the alternatives. The heart of the dilemma is this: How can the State insure equal educational opportunity while simultaneously insuring a substantial amount of local control, which is considered desirable by almost everyone.

APPENDIX A

REVIEW OF THE FINDINGS OF RECENT STATE

SCHOOL FINANCE COMMISSIONS

by

Cynthia Banzer

GENERAL COMMENTS

Nearly all of the reports reviewed here originated from one of three sources. Some were prepared by special commissions appointed by the governors. Others were prepared by committee staffs of the state legislatures. Still other reports emanated from private (usually business) organizations interested in education. Frequently, experts in school finance assisted all three types of groups in preparing their reports.

Some reports deal only with narrow areas within the broad field of school finance - eg. property taxation, or aid to private schools. Other reports make emphatic and explicit recommendations in some areas but barely touch upon others. Hence these state reports cannot be viewed as entirely comparable in any sense. They were prepared by groups with different points of view and cover a diversity of topics.

The value of considering these reports en masse lies not in their comparability but in their diversity. If reports prepared with different view points in several states cite the same problems again and again, then we can assume that those problems may come under the aegis of this commission. The following chart considers only those issues which arose frequently and in a variety of specific contexts.

Several states are missing from the chart; something should be said about them. They are missing either because there was no recent report on school finance conducted at the state level, or because such a report existed but has been unobtainable. States which have not conducted statewide school finance studies recently are either deep south states, very small states without marked growth

(Delaware, Rhode Island and Wyoming) or states substantially below the national average in both level of state support for education and level of expenditure per pupil.

Judging from these studies, pressures for school finance reform seem to be most intense in the large states which have high levels of expenditure per pupil but only middling or low levels of state support per pupil. Such a situation implies that a great portion of the money for education in those states comes from local property taxes and that the desire for property tax relief may be the greatest single impetus to school finance reform at the state level. Most other states which have long traditionally provide high levels of state support for education are also conducting studies.

A discussion of the chart

Uniform property tax assessment: This really involves two inter-related types of concerns. Some reports suggest that assessing practices be standardized so that all localities assess at the same percentage of true value. Southern states seem most concerned about this problem. Some other states have already accomplished this goal. The second concern of many larger progressive states (California, Michigan and Minnesota for instance) is to standardize the tax rate for all districts in the state.

Decrease Reliance of the Property Tax: It is not surprising that states with the highest levels of state revenues for education are least likely to call for this reform. They have already achieved a

situation in which a relatively small proportion of the total education expenditures are financed through local property taxes. As was mentioned previously these states, where local property taxation seems to be heaviest, (eg. Michigan, Minnesota, Illinois, California) are the most active in appointing school finance study groups. It is study groups, in turn which are most insistent upon increasing state level expenditures for education.

Finally more studies than are indicated by this chart express a desire for local property tax relief. However they do not specifically recommend that step because they see no alternative sources of revenue forthcoming.

Making education more efficient: The call for efficiency is now almost universal among all categories of reports in all sections of the country. However nearly all state level reports fail to offer detailed explanation of where monies can be saved and how these efficiencies can be accomplished. Thus proposed reforms are usually explained in catch phrases like PPBS and MIS which give short definitions of the terms and equally scanty descriptions of how to implement these techniques in education.

Encourage localities to tax above required levels and tend to equalize educational expenditures among districts: Should localities be encouraged to tax and spend especially high amounts of money on education or should they be restrained from doing so? Columns four and five are intentionally designed to point out a major dichotomy in school finance thinking between the "libertarian" and "egalitarian" camps. (Dr. James' terms)

About half the studies taking a position on this question suggest that states restrict localities from taxing above stipulated maximums. At their mildest these restrictions would simply take the form of requiring LEAS to secure voter approval for specific tax "overrides". But some reports suggest that localities be limited absolutely in their expenditure per pupil for most categories of educational services. Egalitarians argue that only wealthy districts with priviledged children can afford extremely high tax rates. Yet it is precisely these priviledged children who are least in need of extra expenditures. This line of argument suggests that these extra dollars would best be taxed by the state and spent on children with greater need for extra educational services.

On the other hand the "conventional wisdom" calls for allowing localities to spend what they like on education. "Libertarians" feel that in this way some localities will desire to develop exemplary practices. Neighboring districts will then be stimulated to adopt these same practices and eventually education levels everywhere will be upgraded by this healthy competition.

Business organizations tend to support the egalitarian view; teacher groups generally adopt the libertarian position. Placing limitations on local taxing powers is an old idea, but it has received renewed and favorable attention from several leaders in the school

finance field. The question of whether to encourage or restrict localities in their efforts to finance education is likely to confound the experts in state-local school finance for as long as local school districts continue to exist.

Institute new state-wide taxes for education and increase the total volume of funding:

Nearly every report recommends that the state provides more revenues for education and many reports suggest that the local tax burden be reduced. Few reports, however, make any suggestions about how states should raise more money for education. But among the few states which do consider taxation problems, increasing the state income tax is the most frequently mentioned proposal.

Many school finance experts state plainly that it is not their function to advise on the state tax structure. They see their function as one of giving judicious advice on how to spend the money, not how to raise it. Yet some of these same experts are not at all reticent to offer advice on local tax structure when they argue for decreased reliance on the property tax.

Improve "need" definitions:

The state reports reviewed here are virtually unanimous in their agreement that current support formulas do not accurately reflect pupil needs. However there is no unanimity on just what constitutes a legitimate "need". These reports consider three basic types of approaches to apportioning state aid on the basis of need.

One set of approaches attempts to compensate for differences in the taxable wealth per pupil among the local school districts in the state. In most jurisdictions the only form of taxable wealth is real property. Therefore this form of need grant provides funds in inverse proportion to the assessed value per pupil of each district in the state. "Poor" districts - those with little taxable property per pupil - receive more state funds than "rich" districts - those with more taxable property per pupil. Many state reports simply suggest that the amount of state funds apportioned on this basis of need, assessed value per pupil, be increased.

A second approach to the problem of apportioning state aid on the basis of need recognize the fact that it requires different amounts of money to provide the same level of educational service depending on where in the state the local district is located. Every state has low cost areas and high cost areas and a few of the reports reviewed here suggest that the factor be taken into account when determining local "need".

The third dimension of educational need considered in the state studies is possibly the most complex. In the past 20 years educational researchers have found that it costs vastly different amounts of money to educate students of varying social backgrounds and mental capacities up to "acceptable levels". For instance, educating a severely autistic child to tie his own shoe is a very different thing from educating a normal third grader to recite his multiplication tables, yet the former may cost about twice as much as the latter and both may

be an entirely acceptable level of skill for that child. Many studies suggest that states apportion their funds recognizing the extra costs involved in bringing children up to acceptable levels of performance.

Provide more money for specific educational programs and simplify state aid formulas

Once the definitions of need are agreed upon many state studies then go on to consider how the money should be apportioned to the localities. There are two basic ways of passing money from state governments to local school authorities.

One way is to give aid explicitly for a single purpose, say, the education of culturally deprived children or pupil transportation. Aid given in this way requires strict financial accounting at the local level so that local districts can prove to state authorities that they spent the money on the educational program for which the appropriation was intended. This form of aid also makes the financial distribution mechanisms more complex at the state level. Every specific program the state wishes to support and requires the locality to account for requires a separate basis for appropriation and a separate line-item in the state school budget.

In several states where the aid distribution formulas have grown to almost Byzantine complexity, legislators and others have begun to dispair of ever understanding precisely how money is passed from the state to its localities. (More than a few school finance professionals are perplexed too, but generally they refuse to complain probably feeling that if they don't understand how the formula works, it is best not to admit it.)

The second basic way of distributing state aid meets this objection. Funds can be distributed through general or "block" grants (about the same thing). These grants, usually parceled out on a per pupil or per teacher basis, are much easier for everyone to understand. However their main virtue is also their cardinal defect because they do not take into account specific categories of differentially needy school districts or students and generally do not require the same preciseness in financial accounting.

At this point in time, most studies are recommending that the number and size of specific state aid programs be increased. However in a few states where the number and variety of state support grants virtually defy understanding by reasonably intelligent individuals, the studies suggest the elimination of specific grants.

Aid to private schools:

The chart presented here in no way represents the totality of all states currently considering non-public school aid. Many state legislatures are considering the subject without benefit of preliminary state-wide reports. Many groups conducting studies were charged specifically with making recommendations on public school finance and therefore omitted any consideration of the private sector in education.

Conduct more state level studies on school finance:

Most suggestions for continued study center around three areas: Increased efficiency in education, better measures of pupil and district "need" for funds, and ways to make that states tax structure more equitable.

THJones:mac
4/8/71

SUMMARY TABLE of
State School Finance Commission Reports*

	Hawaii	Alaska	North Carolina	New Mexico**	Alabama	Florida	Washington
State percentage of estimated state-local revenue receipts 1970-71	96.8	84.4	78.0	76.0	74.6	61.7	60.0
Make local taxing uniform			yes	yes	yes	yes	yes
Decrease reliance on local property tax			keep same				yes- 1 mill
Make education more efficient through the institution of better business practices	yes	yes		yes		yes	yes
Encourage localities to tax above required levels		yes	yes	yes	yes		
Tend to equalize - inter-district educational expenditures if not based on different "needs"							
Institute new state-wide taxes for education		no					
Improve current definitions of local "need" currently used in fund distributions		yes	yes	yes yes		yes	yes
Provide more money for specific educational programs		yes	yes		yes		
Simplify state aid formulas							
Aid private schools							
Conduct more state level studies on finance		yes					
Increase total volume of State funding		yes	yes	yes		yes	yes

*States arranged from high percentage to low percentage of state funding; only those states with recent Commission reports are included.

**In states with multiple answers there are several Com. reports

	Utah	Texas	Arkansas	Tenn.	New York	Penn.	Oklahoma	Michigan**	Minnesota**
State percentage of estimated state-local revenue receipts 1970-71	57.9	54.7	54.6	53.8	50.1	49.2	48.2	47.2	45.5
Make local taxing uniform		yes						yes	yes
Decrease reliance on local property tax	no		no					yes	yes yes yes
Make education more efficient through the institution of better business practices						yes		yes	yes yes
Encourage localities to tax above required levels									
Tend to equalize - inter-district educational expenditures if not based on different "needs"	yes		yes	yes			yes		yes yes
Institute new state-wide taxes for education	yes								no
Improve current definitions of local "need" currently used in fund distributions		yes				yes		yes yes	yes yes yes
Provide more money for specific educational programs	no					yes			
Simplify state aid formulas									yes yes
Aid private schools								yes yes	no considered
Conduct more state level studies on finance								yes	
Increase total volume of State funding	yes	keep or reduce				yes	yes	yes	yes yes

**In states with multiple answers there are several Commission reports.

As of this printing, the report for New York (entitled "New York State Commission on the Quality, Cost and Financing of Elem. & Sec. Educ.") is not available However, those interested are encouraged to consult rep. when avail

	Illinois	Virginia	California	Missouri	Maine	Indiana	Kansas	Wisconsin
State percentage of estimated state-local revenue receipts 1970-71	40.4	39.4	37.1	35.2	34.7	33.8	33.2	30.2
Make local taxing uniform		yes	no yes		yes			yes
Decrease reliance on local property tax			yes	yes			yes	yes
Make education more efficient through the institution of better business practices			yes		yes			yes
Encourage localities to tax above required levels							yes	
Tend to equalize - inter-district educational expenditures if not based on different "needs"		yes	yes yes		yes yes			yes
Institute new state-wide taxes for education		yes					yes	
Improve current definitions of local "need" currently used in fund distributions		yes	yes yes	yes			yes	
Provide more money for specific educational programs					yes yes			yes
Simplify state aid formulas		yes						
Aid private schools	yes		yes					yes
Conduct more state level studies on finance								
Increase total volume of State funding		yes	yes yes	yes	yes yes		yes	yes

(NON-PUBLIC SCHOOL REPORT)

(THIS STATE HAS NO REPORT ON ITS PROPOSAL)

	Iowa	North Dakota	New Jersey	Massachusetts	Oregon
State percentage of estimated state-local revenue receipts 1970-71	30.1	28.1	27.2	23.1	20.8
Make local taxing uniform	yes				
Decrease reliance on local property tax		yes			yes
Make education more efficient through the institution of better business practices			yes for some districts	yes	yes
Encourage localities to tax above required levels					
Tend to equalize - inter-district educational expenditures if not based on different "needs"		yes	yes		
Institute new state-wide taxes for education					
Improve current definitions of local "need" currently used in fund distributions					
Provide more money for specific educational programs					
Simplify state aid formulas		yes			yes
Aid private schools					
Conduct more state level studies on finance			yes		
Increase total volume of State funding	yes		yes		yes

	South Dakota	
State percentage of estimated state-local revenue receipts 1970-71	17.0	
Make local taxing uniform		
Decrease reliance on local property tax	yes	
Make education more efficient through the institution of better business practices		
Encourage localities to tax above required levels		
Tend to equalize - inter-district educational expenditures if not based on different "needs"	yes	
Institute new state-wide taxes for education		
Improve current definitions of local "need" currently used in fund distributions		
Provide more money for specific educational programs	yes	
Simplify state aid formulas		
Aid private schools		
Conduct more state level studies on finance	yes	
Increase total volume of State funding	yes	

"FINAL REPORT AND RECOMMENDATIONS OF THE ADVISORY COUNCIL ON STATE FINANCIAL SUPPORT TO PUBLIC SCHOOLS"

Alaska Department of Education

Jon Peterson
Project Director (Stanford University)
January, 1970

The Council studying Alaska's educational program almost immediately felt that the operation of the present Bureau of Indian Affairs schools should be transferred to the state within five years. Other areas of concern were to what extent could resources be used, variations among district's ability to support education from local sources, and to what extent supplemental, educational programs were available particularly in the area of vocational and special education.

In the area of district school financing the Council made the following recommendations:

> Basic educational programs in the schools should include kindergarten, vocational education, and special education.
>
> The states share of operating expenses for the basic program of each district should be determined by an equalized percentage method.
>
> The state should contribute 90 percent of the operating revenues for basic programs.
>
> The state should encourage districts to develop supplemental programs and should fund them in the same proportion as the basic program.

In the area of rural education, the problems of education in these districts should be considered by the state to be as critical as the other district schools. They should be funded at not less than the same level as district schools. The operation of the BIA's schools should be transferred as soon as possible and should have adequate assurance that the quality of education would not be hampered by this transfer.

119

The Foundation Program would provide an allowance for loss reduction, an incentive for program improvement, special education pupils would be "weighted" three times, and present programs would be expanded up to 55 professionals per 1000 pupils.

120

ARKANSAS

Robert Harvey, Committee Chairman
"Committee Selected to Make Study and Evaluation
of the 1969 School Distribution Formulas and
Other Matters Relative to Public School Finance."
October, 1970

This committee wrote a brief narrative and summary and a proposed Bill showing specific recommendations of the committee.

State financial aids are to be allotted on an equalization basis to overcome the differences in salary in the varied school districts and the differing local tax base.

Each local school district should participate in some increase if additional revenue is made available for Minimum Foundation Program Aid.

In order to continue and hopefully improve the educational programs which do not meet an adequacy level, districts with inadequate local revenue should be provided sufficient revenue.

Their proposed Bill is entitled: "The School Finance Act of 1971, providing for the distribution of state public school funds to local school districts to increase teachers' salaries; and for other purposes."

This Bill establishes criteria for the distribution of Minimum Foundation Program Aid. If the school district meets the established requirements, they will receive an amount equal to the previous year's aid plus an equalization allocation.

This will be the product of the adjusted number of teacher units of the district times the adjusted equalization rate per teacher unit. The equalization rates are based on the adjusted valuation per teacher unit in inverse order.

The table rates will be a three to one ratio of equalization for those districts from the highest to lowest within formula.

"RECOMMENDATIONS FOR PUBLIC SCHOOL SUPPORT"

Statewide Council on Long-Range
School Finance Planning

Wayne Burnette, Chairman
Sacramento, California February 11, 1971

In order to eliminate the present complexities in California's school financial formula and provide a foundation for management accountability, a framework of financial support through block grants should be created which would leave decisions on spending authority at the local school board level.

A state-wide property tax of $3.75 should be levied to achieve equalization of the tax burden among California school districts. This would be combined with additional state funding ($400 million), establishing a broader state-wide tax base shifting away from low-wealth local property tax based districts.

Suggested state-wide revenue sources were:

1) personal income tax withholding
2) adjustment and increase of personal income tax
3) increase in sales tax
4) tax on selected services
5) increase in bank and corporate taxes
6) a severance tax on natural resources.

This Council will have a report by February 29, 1972, dealing with the problems of:

1) an administrative accountability formula
2) built-in plan for property tax relief
3) more equal educational opportunity
4) simplification of accounting, record-keeping, and reporting procedures
5) rationale for carefully defined school district goals and objectives
6) method of expenditure control.

"REPORT OF THE GOVERNOR'S COMMISSION ON EDUCATIONAL REFORM"

State of California, Sacramento, January 1, 1971
Governor's Commission on Educational Reform
J. Stanley Green, Executive Secretary

In the area of school finance, this Commission made the following light recommendations:

In order to shift the burden of financing from the local areas to the state with the purpose of attempting to achieve equalization of expenditures, California should establish a state-wide tax on all taxable real and personal property.

The state allocation of educational funds should be directed towards providing equal educational opportunity. This would be achieved by the state providing support for schools based on the educational needs of the individual districts.

All legislative mandated educational programs should be funded by the state and be implemented following a one school year deferment.

Management audits (i.e., evaluation of policies, practices, and procedures) should be made available to districts upon request. This should be financed by the state.

Legislation should be passed to enable school bond elections to be passed by a simple majority.

The parents of students attending non-profit private and parochial schools should be granted some form of tax relief relating to academic tuition. The closures of these schools would be a burden on the public school system.

Legislation should be adopted requiring adherence to a specified time line which would enable local school districts to plan efficiently and effectively.

The California State Teachers Retirement Fund should be placed on an actuarily sound basis to cover teachers presently coming into the system and to liquidate the $4,000,000,000 deficiency of the present fund over a period of years.

"STRUCTURE OF PUBLIC SCHOOL SUPPORT AND RECOMMENDATIONS FOR IMPROVEMENT"

California State Department of Education
Max Rafferty, Superintendent of Public Instruction
Sacramento, 1969

Prepared by:

Ray H. Johnson
Associate Superintendent of Public Instruction
Chief Division of Public School Administration

AND

Edwin H. Harper
Assistant Chief
Division of Public School Administration

In an attempt to eliminate the wide disparity in tax effort, taxing ability, and expenditures per pupil, the following Plan of Action has been suggested:

The state should progressively work towards ultimately providing 50 percent of the needed revenues, less the federal funds.

State funds should be used to raise the foundation program support and categorical aid support to realistic levels of expenditures.

In determining a district's eligibility for state funds there should not be mandatory increases in tax rates. This would help to leave the control of tax rates for programs with the school district governing board.

Allow for inflation and improvement of the level of participation in estimates submitted in the annual support and local assistance budget submitted to the Legislature by the Governor.

School finance measures should be acted on early in the General Session of the Legislature.

In order to meet the problems of public school finance, a Statewide Policy Committee on Public School Finance should be established.

"A 'FAIR SHARE' PLAN FOR FLORIDA SCHOOLS"

Clem Lansberg
Appropriations Committee
Florida House of Representatives
January, 1971

According to Gilbert L. Gentry, Chief, Bureau of District School Finance, State of Florida, Department of Education, this publication was prepared by the Appropriations Committee Staff and does not necessarily represent the position of Mr. Lloyd T. Christian, Florida's Commissioner of Education.

As a result of the 1970 School Equalization Act the current per pupil expenditure for 1970-71 is $769 -- an increase of $200 per pupil during the past three years.

This is the most fundamental revision in public school finance since the beginning of the Minimum Foundation Plan in 1947.

The possibility of full state support was carefully examined in 1969-70. Although such an action was desirable from the standpoint of equity, it was a fiscal impossibility to have full state support with the elimination of local property tax contributions.

The additional dollars allocated to the districts would be placed in the "Other Current Expense" category rather than in a specific area. This would give the local school boards the responsibility of determining how it is to be used.

A built-in cost of living adjustment should be included in the budget requests of the Department of Education.

The local contribution of funds required should be raised to seven mills and the value of each instruction unit should be increased by $3,300. There should be full 100 percent assessment in all districts in 1971.

To improve communications between the legislative and the school districts, the counties should have their total instruction units placed on computer prior to the beginning of the sessions. Then the legislators need to act on this information early in the session.

The funding of the minimum foundation program should be put on a "current year" basis. This could be accomplished by estimating allocations for a current year with a mid-year adjustment.

Some type of remedy, perhaps a tax advantage, should be given to those districts with an educational overburden. This should apply to those areas where there are extra demands made on the tax dollar and in those areas which take on additional tax burdens for schools and other governmental services.

Increases in primary funding to the public schools will be for special classes (i.e., kindergarten, exceptional children, driving training, physically handicapped, vocational education).

Deriving a new funding formula is of prime concern. One overall funding index should provide more equalized funding for all student needs.

A uniform accounting system should be used to gather cost information. This is essential data to make a change in the funding formula.

Rather than depending solely on "degrees" and years of experience to determine salary levels, incentives for excellence should be established based on teacher effectiveness. The current salary ranks should be reduced to two unit allocations, B.A. holders and Master's degrees and beyond.

One half of the funds allocated for research and development must be spent on assessment. Innovative and experimental projects must be carefully reviewed by the Legislature. The pilot projects to test the validity of the Extended School Year must be evaluated and recommendations made.

The public investment is so extensive that they have the right to see results. The educational leaders are held accountable for this. The Commissioner of Education is charged with developing an assessment procedure for presentation to the State Board of Education and the Legislature.

Certainly the leading issue is educational accountability. The leadership of major educational interest groups must be in communication with their respective members on a continual basis. Communication in this area is the responsbility of both those in the educational area and in the Legislature.

127

"MASTER PLAN FOR PUBLIC EDUCATION IN HAWAII"

State of Hawaii
Department of Education
Honolulu, Hawaii
September, 1969

Ralph H. Kujosaki
Superintendent

Hawaii has a unified state-wide school system. Rather than reliance on property taxes, the cost of the schools is more equitably distributed over various forms of taxable capacity at the state level. The source of their money is from the state general fund and state special funds and federal revenue. Money for the state general fund comes from an income tax, personal income tax, and a corporate income tax.

According to Hawaii's study, the most potent force for equity is the basic resource allocation process.

In order to achieve a top school system, a state must:

1) locate specific needs on community, school, and student level

2) allocate resources based on those needs

3) spend remaining dollars where they would be best utilized

The recommendations made in the area of planning and budgeting are:

develop an effective evaluation method of student and Department of Education performance

need a system of projecting financial forecasting, planning, and analysis, correlates needs to resources, and performance to cost effectiveness

need Planning, Programing, Budgeting System that is "appropriate, workable, practical and useful."

use state-wide information system to locate management needs

128

develop system of management reports which gives status of educational program in its entirety

consider building a Department of Education endowment and develop plan to achieve it

consider developing system of program and financing planning and management that will utilize computer technology

develop a Department of Education "Strategic Planning Center."

129

"REPORT AND RECOMMENDATIONS OF THE JOINT COMMITTEE ON SCHOOL FINANCE TO THE 1971 LEGISLATURE"

State of Kansas
Senator Joseph Hardin, Chairman
January 13, 1971

The Joint Committee reached the following conclusions and recommendations in the areas of income taxes, state aid, and property tax relief:

An individual income tax should be applied statewide at a uniform tax rate. A withholding system should be used and it should apply to everyone.

The total state aid to the districts should be at least 40 percent of the operating costs. A new distribution formula should be derived to replace the general aid formula under the foundation program and supplemental aid law.

The objectives of the new distribution formula should be equalization among districts with respect to educational programs and taxpaying ability and relief from property taxes via a district income tax.

The state share guarantee should be based on per-pupil costs. In determining local "ability," income should be considered along with property. There should be an adjusted general tax rate which is at least equal to the median rate of all districts in order to qualify for the full entitlement of general state aid.

Property tax relief should be provided through a combination of school district income tax, increased state aid, and realistic budget control on operating expenses.

Two bills were proposed to follow through with the Joint Committee's recommendations on School Finance. The first bill would provide for a school district income tax and increased state income and privilege taxes on certain individuals and organizations to help finance state aid; a new general state aid formula, continuation of the transportation allowance and the county school foundation fund; and budget and tax levy controls. The second bill amends certain parts of the 1970 "tax lid" law that relates to school districts.

Main Education Council
"The State Investment in Main Education"
A Progress Report and a Proposal
Report No. 1
December 1, 1968

This Council proposed that the total state aid contribution should be increased and the present state support formula should be revised to create a UNIFORM SCHOOL FUND.

All areas should tax at same rate; those municipalities with extraordinary municipal costs should receive relief.

Transportation costs would be 100 percent reimbursable.

An incentive to develop innovative programs would be provided through a monetary fund.

Although there will now be a proclivity for smaller units to join together, the 10 percent bonus should still be continued. If the proposed U.S.F. is not approved by the Legislature then a 15 percent bonus should be paid.

The Legislature should annually decide the current cost of the state support formula.

School construction bonds should be backed up by the credit of the state.

The school constitutional aid should be restored to 40 percent.

131

Associated Industries of Maine
State Department of Education Report
December, 1970

Before increasing the number of post-secondary vocational schools, enrollments in the present ones should be increased and the efficiency must be improved. Presently vocational schools at the high school level are not being utilized to capacity in the areas of scheduling, transportation, programing and student attitudes.

Schools should be mandated by the Legislature to form school districts.

There should be a state-wide tax levy, with property values being determined by state valuations.

The state would reimburse each district an amount equal to the average per-pupil cost on a state-wide basis plus 80 percent of the cost of the transportation.

The local area could raise additional money but would be encouraged to work within the state level.

132

"REPORT OF THE MASSACHUSETTS BUSINESS
TASK FORCE FOR SCHOOL MANAGEMENT"

A Study for the Massachusetts Advisory
Council on Education
(Dr. William C. Gaige
Director of Research)

Carl H. Nordstrom, Chairman
September, 1970

The recommendations of this study were such that, according to Carl H. Nordstrom, they would enable more effective planning, provide stronger state-wide leadership, promote better communications, increase cooperation between school districts, and would apply a broader application of management systems. By implementing the Task Force's recommendations, 6 percent of the current expenditures could be reduced and ultimately a 10 percent reduction. The cost to the Department of Education to implement the recommendations would be $1.1 million.

Several essential elements to sound management practices were found to be missing through the study. Formal long range plans on a 5-year basis should be done annually. Schools must cooperate more and on a larger scale than previously. The Department of Education should provide a unified policy and adequate communications. For a more effective economical operation and greater scholastic benefits, and special program there should be central leadership with strong centers of local control. There is a need for a centrally administered information system.

Funding, manpower, and facilities need sound management for effectiveness in the public school system operation. The General Court should give careful consideration to the recommendations made by the various groups who have studied various forms of funding. The Department of Education should have its responsibilities increased by receiving adequate funding and having the authority "to select, compensate, and classify its professional staff," or it should be eliminated. The Bureau of School Management Services should be expanded, a professional administrator should be appointed in the Office of the Commissioner, local businesses or industrial organizations should be approached to assist in special areas, and in collective bargaining sessions the school committees should be represented by professional negotiations.

Innovation in construction costs in school buildings save money. The various local school efforts in construction should be coordinated. A central state contracting agency should be established and towns should expand their use of school construction stabilization funds.

The operating problems in the school business management system can be approached in the following ways:

In relation to the fiscal system budgeting should be done by objective rather than function. The budget should be approved as one total. As for the facilities planning and acquisition system the Department of Education should be funded to the extent that it can provide assistance to the town school planners. The Department should develop standard criteria and formats for space utilization records. There is a need for custodial training programs and preventive maintenance programs.

The transportation system offers numerous areas for cost reduction. Combine individual school districts into larger area transportation facilities. Eventual public ownership and operation of the bus fleets should be strived for. Bids and contracts for transportation systems should be approved at state level. The state should establish a maximum cost per pupil for local transportation cost reimbursement.

In response to the need for a uniform business system at the local level, the Task Force compiled a school purchasing manual to meet day-to-day operating requirements. A procurement specialist position should be established in the Bureau of School Management Services to coordinate purchasing activities and disseminate information among state school districts. Cooperative purchasing should be developed on regional bases. Large volume school requirements should be incorporated into state purchasing orders.

A Division of Nutrition Education and School Foods Services within the Department of Education should be created. This would provide financial and technical assistance to the local districts and handle government commodity distribution for the schools. Central kitchens should be used to serve more than one school and government-donated commodities should be utilized.

The state should have a state-wide information system and place a one-year moratorium on the addition of data processing equipment.

"SCHOOL FINANCE AND EDUCATIONAL OPPORTUNITY IN MICHIGAN"

Michigan School Finance Study
A Report by J. Alan Thomas
Michigan Department of Education

1968

An alternative to state aid would be to have the state share in the cost of education in each school district; this would vary with state equalized valuation behind each child in the district. Also, each district could be guaranteed tax proceeds from state equalized valuation of $30,000 per student. A "foundation program" and a weighted class unit could also be used.

In the area of urban education, a commission should be established to work on the problems of inner-city education.

A master plan should be developed for provisions of operations in vocational-technical education throughout the city. Vocational education should be offered in compensatory high schools and special financial assistance should be made available for these programs.

Special education programs should receive state reimbursement.

The state should consider paying the full cost of approved transportation costs.

There is need for revenue reform. This can be achieved by levying a state-wide property tax and distributing the proceeds on a per-pupil basis. The current state assessment and taxation of utilities and industrial property makes the argument for state-wide taxation even stronger. The proceeds from taxation of industrial property should be distributed equally on a per-pupil basis, or there should be a regional taxation of industrial property. At least a portion of the tax should be transferred to the state level.

Reform is necessary in the state aid allocations. The local contribution to the foundation program should be based on a given yield on the system of taxation from which local contributions are obtained. On the other hand, the local contribution could be determined by the average income per public school student in the taxing area, rather than the average

property value. Another method would be to have a composite index of income and property to determine the local contribution to the foundation program.

A master plan should be developed for school district reorganization. The number of school districts should be reduced.

The State Department of Education should expand and strengthen the Bureau of Research, Planning, and Development.

No recommendations on non-public education in Michigan were made, except that this phase of education should be considered.

136

"REPORT OF THE GOVERNOR'S COMMISSION
ON EDUCATIONAL REFORM"

State of Michigan
Gov. William G. Milliken, Chairman
Commission Staff - Robert Jewell, James Phelps
September 30, 1969

This Commission made specific recommendations on educational reform. The state and regional administration should be revamped and the local districts should be consolidated.

Funding should be done on a state-wide basis of support or responsibility via a uniform property tax. The available dollars should be distributed more equally.

A budget system needs to be developed based on coordinated classroom needs and acceptance of responsibility. There should be a state-wide evaluation system for which the Legislature should allocate funds.

Local areas should be relieved of concern for raising and distributing money. The Legislature should approve salary support for teachers in non-public schools; however, the maximum allowance of aid to non-public schools should not exceed 20 percent of the total public school budget.

State of Minnesota
Education Committee
Subcommittee on Levy and Bond Limitations
Final Report
1969 - 1970
Interim
House Research Department

December 14, 1970

This report established levy limitations. A uniform method of school districts which far exceeds the average state-wide program costs must be restrained.

Any limitation imposed on levys should take into consideration its effect on the Foundation Aid Formula. The limitations should allow for flexibility in relation to the economic situation.

The limitation should be expressed in dollars per pupil rather than mills. The use of a per capita tax limitation should be eliminated. To levy beyond the calculated limitation, a proposed budget must be submitted to the referendum. If this far exceeds the average state-wide program, it must be cleared by the Department of Education.

A school district's operating expenses should have a total state and local dollar limitation per pupil visit.

The report also focuses on bond limitations and construction costs.

Property must be assessed at a more realistic market value. The maturity date on bonds should be reduced from 30 years to 20 years. The state should not guarantee local bond issues and the maximum interest rate on school bonds should be based on the Federal Reserve discount rate.

A study should be undertaken to determine how to control school building costs. School boards can use licensed engineering firms in building. It should be taken into consideration the development of standard school building plans for state-wide use.

"REPORT AND RECOMMENDATIONS OF THE GOVERNOR'S ADVISORY COMMITTEE ON EDUCATION FOR THE SEVENTIES"

State of Minnesota
Robert B. Bonine, Chairman

An Educational Assessment program should be initiated. This assessment should include:

statement of goals

method to measure student performance

ability to identify areas of need by relevant groupings of schools

long-range plan to establish state-wide information system

ability to provide meaningful information on student progress

guidelines for organizing continuing assessment and evaluation information system

The weighting of pupils should reflect the costs of educating different students. The special education categorical aids should be abolished when a realistic weighting system is developed.

The ADA factor should be changed to ADM. A uniform county-wide tax assessment should be enacted and the Foundation Aid Program should be applied uniformly in the state when there is a uniform tax assessment.

Additionally, the state should increase amount of assistance to local areas.

Transportation aid should be made available to the entire state; the transportation aid formula should be changed to allow for a more equitable distribution of this aid.

If levy limitations are necessary, they should be realistic and enforced uniformly. A total state and local annual per weighted pupil dollar expenditure restriction should be placed on school districts.

The state guaranteeing school district bond issues should be considered. Property should be assessed at 100 percent market value. Districts having voc-tech schools should not have to incur the entire debt.

The Legislature should consider aiding non-public schools.

140

"PLANNING AND FINANCING EDUCATION
FOR THE FUTURE"

A Report for the Missouri Governor's
Conference on Education - 1968

Edwin D. Bihr)
Milton W. Bierbaum) Co-Chairmen

This report has suggested that state expenditures should be increased during the next two years to pay at least 50 percent of the current expenses. Within 5-10 years, this will be increased to at least 60 percent. The local effort should not be substantially increased until the state provides 50 percent.

By 1971 a foundation program plan for financing junior colleges should be developed and the current state appropriations should be combined into one foundation program appropriation (the current form of appropriations is by flat grant aid, first level of equalization, second level of equalization and teacher preparation aid). The state should plan on increasing the amount of foundation allotment.

Special grants such as transportation, vocational education, and exceptional educational appropriations should be continued as flat grants. Beginning in 1971, the Legislature should provide for a comprehensive foundation program of education based on a program budget which adequately meets the needs of all students.

This report further recommended that tax and bond limits be established, the services of the State Tax Commission be extended along with an expansion of their authority, and that there be an increase in state taxes.

"A STATE SCHOOL SUPPORT PROGRAM FOR NEW JERSEY"

State of New Jersey
State Aid to School District's
Study Commission

December 19, 1968

This Commission recommended that all pupils be weighted according to the cost of providing their education. Additional weighting should be given to AFDC (Aid to Families with Dependent Children) children.

The minimum state support programs should be increased, and the state should provide incentive-equalization aid based on the local financial ability to support public schools.

State support for the school building program should be retained but support should be determined on a weighted pupil basis. Currently, the state transportation aid is 75 percent of the approved cost in the districts; a study of this transportation aid should be delved into further.

The minimum support payments and minimum guaranteed valuations should be adjusted by an amount equal to the percentage of change in the per-pupil expenditures for the state as a whole. Three years should be allowed to shift from the present state aid program to the proposed program.

A Permanent Commission on State School Support Program should be established.

The Commission on State Tax Policy should study the use of income in measuring the fiscal ability of school districts to determine the allocation of state support and the problem of municipal and county overload as it pertains to school finance.

142

"STATE RESPONSIBILITY FOR PUBLIC SCHOOL EDUCATION IN NEW MEXICO"

Final Report
State of New Mexico
Educational Research Committee

June, 1967

The current plan (School Equalization Fund) should be changed to the Public School Distribution Fund. The state assumes the responsibility of providing 90 percent of the staff. This would represent the Foundation appropriation. Also provisions would be made for transportation and an equalization incentive.

143

"A LEGISLATIVE PROGRAM TO IMPROVE
NEW MEXICO PUBLIC SCHOOLS"

Paul Sears and Theodore Truske
A Report to the State Department of
Finance and Administration
Santa Fe, New Mexico

December, 1970

In this report it was recommended that a professional system management service for one or two districts be funded. Rather than solely focusing on college preparation, attention should be given to vocational and technical concepts in education.

The State Department of Education should be the main source of information on educational development. A statement of goals is needed. It is not recommended to have performance contracting.

A fund should be set up to provide for an organization to perform educational review and evaluation. The state should continue to pay for the services it is now providing.

144

"THE REPORT OF THE GOVERNOR'S STUDY COMMISSION ON THE PUBLIC SCHOOL SYSTEM OF NORTH CAROLINA"

Raleigh, North Carolina
James H. Hilton
Chairman

December 3, 1968

The financial support of public education in North Carolina should be a cooperative local, state, and federal effort organized as a Minimum Basic Program and an Incentive Support Program.

The local tax-levying authorities should have more sources of revenue available to them. A provision for more local initiative in program planning and use of funds should be included. The required local participation in the total school program should be decided on the basis of ability.

The Minimum Basic Program should require local participation and include all integral parts of education. The Incentive Support Program should encourage school administrative units to go beyond the minimum in fiscal support.

The state's portion of the total finance program should provide an average expenditure per pupil to assure equitable educational opportunity. The Incentive Support Program should be dependent on a designated degree of local support, based on an ability-to-pay formula as determined by the property tax valuations and personal income.

North Dakota

Report Written by John A. Thompson
(now with University of Hawaii)

As the property tax is regressive and provides little flexibility in growth of the tax base, development of the income tax is highly suggested. As of now, the income tax is underused as a revenue measure.

State aid should be more equalizing. This can be accomplished by using the Strayer-Haig equalization approach.

146

"Optimizing Educational Opportunity"
For the Children of Oklahoma
data analyzed and interpreted by SCREL
of Little Rock, Arkansas
for State Department of Education
Oklahoma City, Oklahoma

1969

Ability to pay varies widely and consequently in Oklahoma they still have an equalization problem in their school finance program.

SCREL recommended that the state foundation program be studied to try to eliminate disparities, state contributions be increased, and state and local education agencies work together to obtain maximum available federal funds.

147

"SYSTEM SEVENTIES"

A Statement on Improving the
Financing and Management of Oregon
Schools and Community Colleges

by: Vernon H. Osborn
Assoc. Superintendent for Management
Services and Public Support
Oregon Board of Education

The Oregon schools face a severe financial problem. The complete financial framework needs review, from which must come widespread understanding of the school financial problem, positive suggestions as to how to alleviate the problems, and public acceptance of proposed changes.

The most critical problems are:

1) lack of a simplified and coordinated school finance structure

2) need for school district reorganization

3) need to stretch the dollars by improving management systems

4) inability of local districts to perform good long-range planning

5) excessive reliance on the property tax

6) need for a comprehensive review of unique problems.

The objective of the review would be to enable the Board of Education to develop a system which would utilize to the maximum each educational dollar.

In order to meet the objective the following actions have been recommended:

The structure by which education finance operates should be simplified. Consolidation of districts should be encouraged. Distribution of state and intermediate equalization funds should be on a coordinated basis and in support of a state-designated educational program.

The financing of the educational program should be stabilized by supporting passage of the bill to establish a current tax base for each elementary-secondary school district, limit elections, and combine sources of revenue. A source of revenue other than property tax should be developed.

Management of the state's educational system should be systematized by conducting in-depth management studies of the schools and their needs.

The available educational dollars should be stretched by implementing the recommendations of the Business Task Force Report and Feasibility Study and by utilizing business practices.

Additional sources of state-level revenue should be identified, particularly those which will alleviate the burden of the tax on property. State support for the schools should be increased from 22 percent to no less than 40 percent.

1970 Subsidy Study
of the State Board of Education
of Pennsylvania

November 13, 1970

In this study one attitude was that the present formula for distribution of state aid to education is basically satisfactory but it should be altered to increase state funds available, while the other attitude was that the two largest school districts in the state are in serious financial trouble.

This study recommended that the maximum subsidy, rather than a $550 maximum, be the actual average instructional expense per pupil. The state should make more money available to the cities to assist with their urban problems.

The specific recommendations suggested a study of the distribution method of funds and a development for accountability mechanism for funds. Improvement in educational productivity by using new technologies is needed along with a reevaluation of teacher preparation methods.

The small inefficient school districts cannot be perpetuated and accountability by school boards, administrators, and teachers should be required. The present subsidy provisions based on density, sparsity, and poverty with programs dealing directly with educational needs should be replaced.

Educational outcomes should be the prime consideration in an equalization program. The school districts' financial ability should be based on the market value of the property. When increasing limits on reimbursable construction costs, regional variances must be taken into consideration.

The present transportation subsidy system with slight modifications should be retained. The state should assume the additional costs in meeting "busing" orders by court and they should fund innovative projects.

In areas where educational attainment is not satisfactory, the state should assume responsbility. There should be an increased reliance on categorical aid to help meet the special problems of education.

150

Report to the Legislature of the State of
South Dakota of the South Dakota Education
Policies and Goals Commission
Pierre, South Dakota

December, 1968

This Commission has suggested that the state should increase its share of educational expenses as there is currently too much stress placed on the property tax. A current goal of 25 percent participation should be strived for. The foundation program should be fully funded according to the statutory formula.

The state should assist with transportation costs and aim for assuming 80 percent of the costs, along with appropriating monies for special and vocational education programs. The state should adopt a new source of state tax revenue with a sufficient portion of it going to fund the state's share of the foundation program.

The existing foundation program should be retained with certain revisions including raising the statutory level. Distribution of flat grants should be continued and the statutory limits on the ceiling for the equalization section of the foundation program should be removed. The tax rate on agricultural property should be decreased while the rate on non-agricultural property should be increased.

The amount of state funds given to a district will be either the actual expenditures (less transportation and federal funds) or its share as determined by formula, whichever is less.

A study should be conducted on various state aid formulas to determine where improvements can be made in South Dakota's program.

"STUDY ON DISTRIBUTION OF STATE FUNDS FOR PUBLIC EDUCATION, GRADES 1-12, 1968"

Final Report of the Legislative Council Education,
State of Tennessee
Legislative Council Committee

1968

This study has revealed that the current formula for determining the local contribution to the Minimum Foundation Program should be replaced. A formula should be utilized which determines the county's ability to pay on the basis of a property tax and a local sales tax.

The property valuations should be adjusted to 50 percent of true value and include total utility assessment of the county. The state total of potential revenue from the local sales tax should be included in the formula. The total local contribution to the Minimum Foundation Program should be a constant 9 percent of the state contribution rather than a fixed dollar amount. As these provisions will insure more equity, there should be no guarantee clauses.

Research Report
Volume V
Public Education in Texas -
Financing the System
1969
Report of the Governor's Committee on
Public School Education
Leon Jaworski, Chairman

This Committee recommended that a plan should be enacted to equalize responsibility and effort. This can be achieved by implementing the following suggestions:

The calculation of local costs should be based on personnel, operating and transportation costs; state-wide costs would be determined by retirement, textbooks, developmental leave, and sick leave programs. These calculations are necessary to determine basic foundation costs.

The major current expenditures common to most local districts would be brought under state-local sharing plan. The overall level of the Foundation Program should be raised and equalization between LEA's would improve by reducing the budget surplus in "budget balance" districts.

The transportation formula should be simplified and made more equitable.

Each area's share of the Basic Foundation Program costs would be determined by multiplying a Uniform State Equalization Rate times the full value of property subject to taxation in the district two years earlier.

Uniform State Equalization Rate set at 20 cents per 100 dollars of full value in 1969-70; this should be graduated at the rate of one cent per year until it reaches 30 cents in 1979-80.

The remaining costs of the Basic Foundation Program should be financed by the state through:

distribution on the basis of students in average daily attendance and allocation of state aid programs to cover balance of Basic Foundation Program Costs in each LEA.

The Supplemental State Support Program should be financed entirely by state and federal funds, along with developmental programs.

"DESIGNING EDUCATION FOR THE FUTURE"

Utah State Board of Education

Jay J. Campbell
Coordinator

July, 1970

The Utah State Board of Education has suggested that alternatives to the solution of the problem requiring an increase in state revenue could be:

a) a one cent sales tax solely for education

b) an increased state property tax by 2-1/2 mills

c) the completion of assessment equalization statewide

d) some combination of above suggestions

e) the curtailment of some of the program's offerings.

The educational budgets should allow for research and development.

The salary schedule should be comparable to the state universities in order to employ well-qualified professionals.

State financial support of schools should be doubled in next 10 years.

"A New Plan
Report of the Commission Created to Study the
Formula for State Aid to Public Schools"
House Document No. 20
Commonwealth of Virginia
1970

This Commission recommended that the old state aid formula be discarded for the newly proposed formula which includes a $400.00 cost-per-student figure for the basic program, a provision to divide the cost between the state and local area, and a mandate that the LEA pay at least one-third of the cost with the state also paying at least one-third. The actual share of the local area will be determined by multiplying the local share per student by the average daily membership.

It was further recommended that an on-going study on the feasibility of consolidation of small school divisions be established. The proposed amendments to the Constitution should be adopted. A special equalization fund or inclusion of additional funds in the basic school aid formula should be given further attention. Provisions should be made for disadvantaged and culturally-deprived students.

155

State of Washington
Summary Report
"Temporary Special Levy Study Commission"

February, 1971

Dr. James Triet
Executive Director

This Commission felt that the state apportionment fund should be retained with some modifications. The secondary weighting factor should be eliminated but the edcational weighting factor should remain at 1.0.

Adjusting actual assessment levels to an assumed 50 percent level by the use of the county ratio should be eliminated. The state-wide property tax of two mills should be eliminated and the local taxation rate should be increased to seven mills from six mills. The implementation of a state-wide salary schedule should be considered. If a state-wide salary schedule is not adopted immediately, the staff characteristics weighting table should be revised to reflect more adequately the actual salary situation.

Further Commission recommendations also suggest including:

a) a new disadvantaged factor

b) the same vocational factor

c) a new criterion for reimbursing transportation costs

d) kindergarten provisions

e) exemplary research and development projects

f) expanded gifted child education programs

g) funding at present level for handicapped programs.

If a substantial change occurs in the formula, the local districts should be allowed one year "grace" period before implementation to allow the LEAs the opportunity to plan adequately.

156

State of Wisconsin
"Final Report of the Governor's
Commission on Education"
November, 1970
William R. Kellett, Chairman

This Commission recommended that the state should provide 40 percent of net operating costs (an increase from 30%). This will necessitate an increase in either income or sales tax, or both. The tax sharing formula should be revised to take into account the importance of education; thus, distribution of shared taxes for support of general local government should take into consideration the need and local effort.

A school district's income as well as property value should be the basis for school aid formula. Flat aids to school districts should be maintained at present levels until income datum by school district is available. The school aid cost limitation should be increased to 115 percent while the property tax should be administered uniformly and property assessed uniformly throughout the state. Students who go to private schools but attend some classes in the public schools should be included in computing the amount of aid a school district receives.

In low or high population density districts where school aid formula is not adequate special funding should be provided. Studies on the existing school aid formula should be continued with thought of trying to incorporate in it an incentive for excellence.

The distribution of shared taxes should be identified to the property taxpayer. And in order to improve the organizational aspect of education, a State Education Board should be established.

An information system utilizing PPBS methods should be developed and adopted and methods of appraisal and evaluation should be developed.

APPENDIX B

LAWSUITS CHALLENGING

STATE SCHOOL FINANCE SYSTEMS

LAW SUITS CHALLENGING STATE SCHOOL FINANCE SYSTEMS*

Case	Plaintiffs	Defendants	Claim	Remedy	Status
Arizona, Maricopa County *Clarance Hollins, et al. v. W. P. Shofstall, et al.*	Public school students and their parents who are home owners and taxpayers in Maricopa County.	The Superintendent of the Arizona Department of Education; the Arizona Board of Education; the Treasurer and Attorney General of Arizona, and the Superintendent of the Maricopa County public schools.	Plaintiff-children allege that under the financing scheme now in effect in Arizona, the amount of revenue available to their school districts is determined substantially by the wealth of local school districts, and that poor school districts are therefore unable to offer as much educational opportunities to their students as wealthier districts. Plaintiff-children claim that the Arizona school financing scheme fails to meet the minimum requirements of the equal protection clauses of the United States and Arizona Constitutions.	Plaintiffs ask the court to declare the Arizona financing scheme to be unconstitutional and void; to order the defendants to reallocate school funds in a manner so as not to be unconstitutional; and to allow the legislature a reasonable time to restructure the school financing scheme that will provide equal educational opportunities as required by the State and Federal Constitutions. However, should the legislature fail to act, the plaintiffs ask the court to enter an order regulating, in a constitutional manner, the collection and apportionment of school funds.	Complaint filed October 12, 1971 in the Arizona Superior Court for Maricopa County. On November 17 the defendants moved to dismiss plaintiffs' complaint. Briefs have been filed and oral argument has been requested on the motion to dismiss.
California, Los Angeles *Serrano, et al. v. Priest et al.** * Another school finance case was filed in California (*Silva v. Atascadero*, San Francisco) but due to its similarity with the Los Angeles suit, the decision was made to drop its prosecution.	School children and their taxpaying parents from a number of Los Angeles County school districts.	Treasurer, Tax Collector, and Superintendent of Public Schools in the County of Los Angeles; the Treasurer, Controller, and Superintendent of Public Instruction of the State of California.	Plaintiffs claim that California's system of education finance violates the Equal Protection clause of State and Federal Constitutions, in that it (a) Makes the quality of education for school age children in California, including Plaintiff-children, a function of the wealth of the children's parents and neighbors, as measured by the tax base of the school district in which said children reside, and (b) Makes the quality of education for school age children in California, including Plaintiff-children, a function of the geographical accident of the school district in which said children reside, and (c) Fails to take account of any of the variety of educational needs of the several school districts (and of the children therein) of the State of California, and (d) Provides students living in some school districts of the State with material advantages over students in other school districts in selecting and pursuing their educational goals, and (e) Fails to provide children of substantially equal age, aptitude, motivation, and ability with substantially equal educational resources, and (f) Perpetuate marked differences in the quality of educational services, equipment and other facilities which exist among the public school districts of the State as a result of the inequitable apportionment of State resources in past years. (g) The use of the "school district" as a unit for the differential allocation of educational funds bears no reasonable relation to the California legislative purpose of providing equal educational opportunity for all school children within the State. (h)The part of the State financing scheme which permits each school district to retain and expend within that district all of the property tax collected within that district bears no reasonable relation to any educational objective or need. (i) A disproportionate number of school children who are black children, children with Spanish surnames, and children belonging to other minority groups reside in school districts in which a relatively inferior educational opportunity is provided. Plaintiff-taxpayers allege that as a result of the education financing scheme, they are required to pay a higher tax rate than taxpayers in many other districts in order to receive for their children the same or lesser educational opportunities.	Plaintiffs ask the court (a) to declare that they have been denied equal protection of the laws by the California school finance system and that the system is void under the U.S. and California Constitutions; (b) to order the defendants to reallocate the funds available for financial support of the school system, including funds from property taxes; and (c) to restructure the finance scheme so as to provide equal educational opportunities for all children in the State and, if defendants and the legislature fail to act, that the court regulate collection of property taxes and apportion school funds in satisfaction of the obligations of the state constitution to maintain a system of free public schools and the equal protection clauses of the U.S. and California Constitutions.	The case was dismissed by the lower State Court when it sustained defendants' demurrer. The California intermediate state court of appeals affirmed the dismissal. The California Supreme Court on August 30, 1971 reversed. On October 21, 1971 in a clarification of its earlier opinion, the California Supreme Court returned the case "to the trial court for further proceedings."
Colorado, Otero County *Eelan Allen, et al. v. County of Otero, et al.*	Property owners and parents of school children in the East Otero School District.	The County of Otero; the Board of Commissioners for Otero County; the members of the East Otero School District's Board of Education; the Assessor and Treasurer for Otero County; and the Colorado State Tax Commission.	Plaintiffs complain that the method for raising school revenues in Colorado is unfair and discriminatory in operation and effect, and constitutes a violation of the equal protection clause of the United States Constitution. Plaintiffs complain further that the Colorado School Foundation Act fails to provide equalization of the tax burden for education and makes the quality of a child's education vary according to the wealth of his parents and neighbors in the particular community in which he lives.	Plaintiffs ask the court to declare that the local property tax is an unconstitutional infringement of their rights under the equal protection clause of the United States Constitution. Plaintiffs ask the court to enjoin the defendants from assessing, levying, or collecting local property taxes after January 1, 1973.	The complaint was filed in the Otero County District Court for the State of Colorado on September 3, 1971.

Florida *Hargrave et al. v. Kirk et al.* (on appeal recaptioned: *Askew, et al. v. Hargrave, et al.*)	Seventeen students of Florida's public schools and their parents who are also tax paying property owners. (The parents and children reside in sixteen of the State's sixty-seven counties.)	The State Board of Education (consisting of the Governor and his Cabinet), its Commissioner, and the State's comptroller.	The complaint charges that the State's "millage rollback" statute, which imposes a limit on the amount that counties can tax themselves for educational expenditures (a limit which previously was surpassable with local voter approval, and which in fact had been surpassed in numerous counties after gaining local voter approval), violates the Equal Protection clause of the U.S. Constitution, because the limitation is fixed by reference to a standard relating to the overall wealth of each county and not to its educational needs. Plaintiffs further allege that they cannot raise enough money to meet their educational needs under the statute, because, if they choose to raise locally an amount equal to or less than the statutory limit, they will not have enough funds (even with the State's foundation grant), and, if they try to raise locally the entire amount that they need, they cannot do so because their tax base is too low and the statute disqualifies them from receiving any State financial assistance from the foundation program.	Plaintiffs ask the court (a) to enjoin defendants from using the act of surpassing the statutory local limitation as grounds for withholding foundation grants, and (b) to declare the millage rollback statute null and void.	The case was dismissed by a single judge Federal district court. The Fifth Circuit U.S. Court of Appeals reversed the district court's jurisdictional rulings and remanded with directions to convene a three-judge district court. The three-judge district court on May 8, 1970 declared that the millage rollback statute is unconstitutional as a violation of Equal Protection and enjoined any withholding under the statute. In the spring of 1971, the U.S. Supreme Court vacated the lower court's decision and remanded the case for further proceedings. The case was subsequently dismissed by plaintiffs.
Illinois, Chicago *McInnis et al. v. Shapiro et al.* (subsequently *McInnis et al. v. Ogilvie et al.*)	High school and elementary school students attending school within four school districts of Cook County, Ill. and a corporate plaintiff, the Concerned Parents and People of the West Side.	Governor of the state, Superintendent of Public Instruction, the Treasurer, and the Auditor of Illinois.	Plaintiffs charge that the state acted unconstitutionally in creating an education finance system which results in plaintiff's school districts receiving per pupil expenditures "far below" those provided other districts. Plaintiffs further allege that as a direct result of the method of financing public education, there exist material disparities in the quality of educational programs, facilities, and services, and in the level of educational attainment achieved, in the different school districts.	Plaintiffs ask that various Illinois legislation which provides for and permits the distribution of monies "not based upon the educational needs of children" and resulting in unequal per pupil expenditures "be declared unconstitutional" and "a permanent injunction be granted."	A three-judge Federal district court dismissed the complaint filed in 1969 for failure to state a cause of action and for nonjudiciability. The U.S. Supreme Court in 1970 summarily affirmed the district court opinion without oral argument.
Illinois, Chicago *Gerald L. Sbarboro v. State of Illinois, et al.*	A taxpayer and resident of the City of Chicago suing on his own behalf and behalf of all other persons in Illinois similarly situated.	The State of Illinois and the State Superintendent of Public Instruction.	Plaintiffs allege that the Illinois Constitution requires the State to provide an efficient, high quality, and free public education system, and that that provision of the Constitution is being violated because the State is providing less than 50% of the total amount of funds necessary for financing public education in the State of Illinois.	Plaintiffs ask the court to declare that the current system of financing education in the State of Illinois is in violation of the State's responsibilities under the Illinois Constitution in that the State has failed to assume the "primary responsibility" for financing public education as required by the Illinois Constitution.	Suit was filed on October 5, 1971 in the Cook County Circuit Court.
Illinois, Niles *Nicholas V. Blase, et al. v. State of Illinois, et al.*	A taxpayer and his daughter, a student in public school district 207 of Main Township in Cook County, Illinois.	The State of Illinois and the Superintendents of Public Instruction for the State of Illinois, Cook County and Public School District #207.	All plaintiffs allege that, pursuant to its Constitution, the State of Illinois is obliged to provide a free and efficient system of public education. Plaintiff-taxpayer alleges that he is paying a higher tax rate for the education of children in his school district than are taxpayers in wealthier school districts. Plaintiff-student alleges that the amount spent on her public education is less than that spent for students in other districts of the State with higher assessed valuation, and that she is therefore denied a free and equal educational opportunity as required under the Illinois and United States Constitutions.	Plaintiffs ask the court (a) to declare unconstitutional those sections of the Illinois law which shift to local school districts and local property taxpayers the "primary responsibility" for financing public education throughout the state; (b) to declare that, in Illinois, there is not an efficient public education system of high quality as required by the State constitution; (c) to declare that the State has failed to provide to local school districts a sum of money necessary to meet the minimum standards of education as defined by contemporary standards.	Filed in Circuit Court for Cook County in September, 1971.
Indiana, Bartholomew County *Gerald E. Perry, et al. v. Edgar Whitcomb, et al.*	School children from public schools in Bartholomew County, Indiana and their property tax-paying parents.	The Governor, Auditor, and Treasurer of the State of Indiana; The Superintendent of Public Instruction for the State of Indiana; the State Board of Tax Commissioners; the Bartholomew Consolidated School Corporation; the Superintendent of Bartholomew Schools; and the Auditor and Treasurer of Bartholomew County.	Plaintiffs allege that the Indiana constitution requires the State to provide a uniform system of common schools and a uniform and equal rate of assessment and taxation. Plaintiffs allege that the current system in effect in Indiana for raising and distributing monies for public education violates the above two requirements of the Indiana Constitution and the equal protection clauses of the Indiana and United States Constitution.	Plaintiffs ask the court (a) to declare that the Indiana statutes for the provision of state aid for public education violates the Indiana and United States Constitutions and (b) to temporarily and permanently enjoin the defendants from collecting property taxes for public education.	Filed in the Superior Court of Marion County, Indiana in November 1971.

Indiana, Indianapolis *Arnold W. Spilly, et al. v. State Board of Tax Commissioners, et al.*	Public school children and their parents from three Indiana counties.	The State Board of Tax Commissioners and the Auditor and Treasurer of the State of Indiana.	Plaintiffs claim that the current financing structure, established by the State of Indiana to fund its public schools, makes the quality of education a function of the wealth of children's parents and neighbors; it makes the quality of education a function of the geographical accident of which school district reside in; it fails to take account of educational needs; and it fails to provide children of substantially equal age, aptitude, motivation, and ability with substantially equal educational resources.	Plaintiffs ask the court (a) to declare that the State system for financing education violates both the equal protection clauses of the United States and Indiana Constitution and the Indiana Constitutional provision, which requires the State to provide a general and uniform system of public schools; (b) to restrain the defendants from administering and enforcing the school finance system in such a way so as to violate the Indiana and United States Constitutions; (however, should the defendants fail in that task, the plaintiffs ask the court to restrain them from collecting taxes for education); (c) to require the defendants to reallocate public education in a manner so as not to violate the Indiana and United States Constitutions; (d) to allow the defendants and the Indiana legislature a reasonable time to develop a constitutional financing structure; however, should the defendants fail to do so, the court is asked to develop its own constitutional financing structure.	Complaint filed in Superior Court for Marion County, Indiana on June 16, 1971. The State moved to dismiss the action, and both parties are awaiting the Court's decision on the motion to dismiss.
Kansas *William Hergenreter, et al. v. State of Kansas, et al.*	Public school children and their property taxpaying parents from Shawnee and Cherokee Counties, Kansas.	The State of Kansas; the State Board of Education and its Commissioner; the Comptroller of the State Department of Administration for the State of Kansas; and the Treasurer of the State of Kansas.	Plaintiffs allege that the system for financing public schools in the State of Kansas (a) makes the quality of education a function of the wealth of the children's parents and neighbors; (b) makes the quality of education for school children in Kansas the function of a geographic accident of the school district in which they live; (c) fails to take into account the variety of educational needs of the school districts in the State of Kansas; (d) fails to provide children of substantially equal age, aptitude, motivation and ability with substantially equal educational resources; and (e) perpetuates marked differences in the quality of educational services, equipment, and other facilities which exist among the public districts in Kansas. Plaintiffs claim that this financing system violates the equal protection clause of the United States Constitution. The Plaintiff-taxpayers allege that they are required to pay a higher tax rate for school purposes than taxpayers in wealthier school districts in order to provide the same or less per pupil expenditures. Plaintiff-taxpayers claim that this inequity violates the equal protection clause of the United States Constitution.	Plaintiffs ask the court to declare that they have been denied equal protection of the laws by the Kansas school financing system and that the system is void under the U.S. Constitution. Plaintiffs ask the court to retain jurisdiction of the action, affording the Kansas legislature a reasonable time to restructure the school finance system so as to assure that the quality of education will no longer be a function of the wealth of school districts.	Case filed in the United States District Court for the District of Kansas in October, 1971.
Kansas, Johnson County *Michele Caldwell, et al. v. State of Kansas, et al.*	The Kansas Federation of Taxpayers, Inc. and public school children and their property taxpaying parents from Johnson County, Kansas.	The State of Kansas; the Attorney General and the Acting Director of Property Evaluation for the State of Kansas; the State Board of Education; the Treasurer and Clerk for Johnson County; the Johnson County School District and its Board of Education.	Plaintiffs allege that under the State's system for financing public schools, 65% of the total Kansas educational revenues were raised from local property tax from school districts which have widely varying amounts of taxable wealth per pupil. Plaintiffs claim that this system violates their rights to equal protection because it makes school expenditures a function of the wealth of school districts in which plaintiffs reside. Plaintiff-taxpayers claim that the State of Kansas is prohibited by the U.S. and Kansas Constitutions from collecting property taxes not based on uniform and equal rates of assessment. As a result of the system for assessing and collecting educational revenue from property tax the plaintiff-taxpayers claim that they are taxed more heavily upon some value property than are persons in other school districts in order to provide the same educational opportunity. Plaintiff-taxpayers further claim that they are suffering injury from the Kansas system for financing schools because it subjects persons who happen to own property to a greater tax than those who do not, without taking into consideration the public services to be financed.	Plaintiffs ask the court to declare that the Kansas system for financing public schools denies them equal protection of the laws under the U.S. and Kansas Constitutions and ask the court to enjoin the operation of the system insofar as its operation makes spending for education a function of wealth and ownership of property.	Suit filed in early December 1971 in the District Court of Johnson County, Kansas.

Maryland, Baltimore *Alvin Parker, et al. v. Marvin Mandel, Governor of Maryland, et al.*	Public school children and their property taxpaying parents who reside in the City of Baltimore.	The Governor, Comptroller, and Treasurer of the State of Maryland; the Mayor, Director of Finance, and City Council of the City of Baltimore.	Plaintiffs allege that of the funds generated by the State system for financing public schools in the State of Maryland, approximately 59% are raised by localities. Plaintiffs further allege that a disparity exists in the ability of localities to finance their share of the cost of public education, and as a direct result of this disparity in wealth bases, there is a wide range in the per pupil amount of funds raised locally for education. Moreover, plaintiffs allege that the formula for computing State aid favors wealthy localities over poor localities. Plaintiffs claim that as a direct result of this State system for financing education, (a) the quality of public education is made a function of the wealth of children's parents and neighbors; (b) the quality of education is made a function of the geographical accident of the wealth of the locality in which school children reside; (c) no account is taken of the different educational needs of the various localities and the school children residing therein; (d) children in some localities are provided with material educational advantages over children in other localities which directly affect their educational opportunities; (e) children of substantially equal age, aptitude, intelligence, motivation and ability are denied equal educational resources; (f) a disproportionate number of children of low income and/or black families residing in Baltimore City, are, by virtue of the State system for financing schools, denied equal educational opportunity with other children in the State. Plaintiff-taxpayers claim that the State's system for financing schools requires them to pay a higher tax than similar taxpayers in other localities in order to receive the same or lesser educational opportunities for their children.	Plaintiffs ask the court to declare that the State system for financing schools in Maryland denies them equal protection of the law and therefore is void. Plaintiffs further ask the court to order the defendants to reallocate school monies in such a manner as not to violate the constitution and laws of the United States. Plaintiffs ask the court to retain jurisdiction and to allow the State General Assembly until June 30, 1972 to restructure the state system of financing schools in a constitutional fashion, and that in the event a constitutional restructuring does not occur by that date, that the court enjoin the defendants from enforcing the present system of school finance.	Suit was filed October 1, 1971 in the United States District Court in the District of Maryland and Plaintiffs requested a three-judge court. The defendants have moved to dismiss the complaint and oppose the empanelling of a three-judge court.
Michigan, Detroit *The Board of Education of The School District of the City of Detroit et al. v. The State of Michigan and Allison Green, its Treasurer.*	Detroit School Board, students and their parents.	State of Michigan and its Treasurer.	Plaintiffs allege that the finance system fails to allot the school districts in which they reside educational resources and educational opportunities substantially equal to those provided in many other school districts. Plaintiffs allege that the system is deficient in failing to relate to the district variations in educational needs, quality of existing educational facilities, and levels of educational costs and expenses (i.e., for school construction and salaries).	Plaintiffs ask that execution of the "State Aid Act" be enjoined, and that state funds be reapportioned so as to provide substantially equal education opportunities for all children in the state.	Suit, filed in 1968, was dismissed for lack of prosecution.
Michigan, Ingham County *William G. Milliken, et al. v. Allison Green, et al.*	The Governor and the Attorney General of the State of Michigan.	The Treasurer of the State of Michigan and three school districts having a higher state equalized valuation of taxable property per pupil and higher expenditures per pupil than most other districts in the State of Michigan.	Plaintiffs allege that the Michigan constitution requires the State legislature to maintain and support a system of free public schools, and that the operation of public schools in Michigan are financed in part from taxes on real and personal property, and that the amount of revenue per pupil derived by the school district from property taxes for school purposes is dependent upon the wealth of the school district as measured by the State equalized valuation of taxable property per pupil, and that the effect of this system is to produce substantial disparities among school districts in per pupil expenditures. Plaintiffs claim that these substantial disparities deny equal educational opportunity to the children enrolled in school districts with lower expenditures, and thus it invidiously discriminates against them in contravention of the guarantees of the equal protection clauses of the Michigan and United States Constitutions.	Plaintiffs ask the court to declare that present system of financing public schools in Michigan to be unconstitutional as violative of the equal protection clauses of the Michigan and United States Constitutions.	Complaint was filed in the Michigan Circuit Court for the County of Bingham on October 15, 1971.
Michigan, Ingham County *George Montgomery, II, et al, v. William G. Milliken, et al.*	Public school children and their taxpaying parents who live in the Michigan counties of Macomb and Oakland.	The Governor, Attorney General, Treasurer and Comptroller of the State of Michigan; and the Superintendent of Public Instruction of the State of Michigan.	Plaintiffs allege that the State of Michigan's school finance plan is unfair in that it causes substantial financial disparities among school districts in the amount of revenue per pupil available for each district's educational program, that there are wide disparities among the districts in their assessed valuation per pupil, and that the heavy reliance upon local property taxes by local school districts results in substantially inferior educational opportunities for those children living in relatively poorer school districts. Plaintiffs claim that this school financing scheme fails to meet the equal protection requirements of the Michigan and United States Constitution in that it: (a) makes the quality of education a function of the wealth of the children's parents and neighbors; (b) makes the quality of education for school children in Michigan the function of a geographic accident of the school district in which they live; (c) fails to take into account the variety of educational needs of the school districts in the State of Michigan; (d) fails to provide children of substantially equal age, aptitude, and motivation and ability with substantially equal educational resources; and (e) perpetuates marked differences in the quality of educational services, equipment, and other facilities which exist among the public districts in Michigan.	The Plaintiffs ask the court (a) to declare the present state aid system for financing education to be unconstitutional because it fails to equalize the yield of property tax levies for school districts; (b) to require the defendants to provide a new school finance plan which would be free of constitutional defects, while preserving the integrity of local school districts and the option of local tax payers to provide quality of education for their children; (c) to prohibit the state comptroller from allocating and the state treasurer from distributing any funds pursuant to the present State Aid Act after July, 1972; and, (d) in the event that the state fails to respond constitutionally before July 1, 1972, to have the court restructure the system along constitutional lines.	The case was filed October 27, 1971 in the Michigan Circuit Court for the County of Ingham. Defendants have petitioned for removal of the case to federal court.

Minnesota *Donald Van Dusartz, et al. v. Rolland F. Hatfield, et al.*	Students in the public schools of White Bear Lake School District #624, Ramsey County, Minnesota, and their parents and guardians who directly or indirectly support public education in their district through local taxation.	The Auditor and Treasurer for the State of Minnesota; the Commissioner of Taxation for the State of Minnesota; the Commissioner of Education of Minnesota; and the Commissioner of Administration for the State Board of Education; the Minnesota Board of Education; the Independent School District #624; and the Treasurer and Auditor of Ramsey County, Minnesota.	Plaintiffs allege that the system for financing public education in Minnesota fails to meet the minimum requirements of the equal protection clause of the United States Constitution in that it: makes the quality of education a function of the wealth of the children's parents and neighbors; makes the quality of education a function of the geographical accident of the per pupil assessed valuation of a school district; fails to take account of the variety of educational needs of school children; provides students living in some school districts with material advantage over students in other school districts; fails to provide children of substantially equal age, aptitude, motivation and ability with substantially equal educational resources; and perpetuates marked differences in the quality of educational services and equipment and other facilities which exist in public school districts in Minnesota as a result of inequitable apportionment of State resources; and requires tax payers residing in relatively poor school districts to pay higher tax rates on comparable property than taxpayers in wealthier school districts in order to achieve the same or lesser expenditures per pupil.	Plaintiffs ask the court to declare the State financing system void as being repugnant to the equal protection clause of the Fourteenth Amendment of the U.S. Constitution and request the court to retain jurisdiction, affording defendants and the legislature a reasonable time to restructure the financing scheme so as to assure that the quality of public education will be no longer a function of the wealth of school districts; and should the legislature fail to do so, plaintiffs ask the court to restructure the financing system in a constitutional manner.	Filed in U.S. District Court for the District of Minnesota, Third Division in late September, 1971. Defendants subsequently moved to dismiss the complaint, and on October 12, in a decision written by Judge Miles W. Lord, the defendants motion to dismiss was denied. In early December, Plaintiffs dismissed their lawsuit, without prejudice, because they believed that the state's revised school aid formula (passed by the legislature on October 30, 1971), while not meeting the "strict constitutional standard set forth in the Court's October 12 memorandum . . . it appears that [it] . . . is considerably closer to meeting the constitutional standard of fiscal neutrality than the previous statute. . . ."
Minnesota *Minnesota Federation of Teachers, et al. v. Rolland F. Hatfield, et al.*	The Minnesota Federation of Teachers and the Minneapolis Federation of Teachers, Local 59; Taxpayers from three different counties and their children who are students in those counties' public schools.	The Auditor and Treasurer of the State of Minnesota; The State Board of Education and its Commissioner; the Auditor and Assessor for Anoka, Carlton, and Hennepin Counties.	Plaintiffs allege that the scheme of taxation for school financing in the State of Minnesota enables some districts to spend substantially more money per pupil while levying substantially lower taxes than other school districts with smaller taxable bases and that plaintiffs, residents of districts with smaller per pupil tax bases, are therefore denied equal protection of the law of Minnesota and the United States.	Plaintiffs ask the court to declare that the Minnesota public school financing scheme violates plaintiffs' rights to (a) equal protection of the law and is therefore repugnant to the Fourteenth Amendment of the United States Constitution; and (b) to a uniform system of public education as established by the Minnesota Constitution.	Case filed in U.S. District Court for the District of Minnesota, Fourth Division, on September 2, 1971. The defendants moved to dismiss, and the court on October 12, 1971, after consolidating this cause with the Van Dusartz's case (as noted above), denied the State's motion to dismiss. Plaintiffs have dismissed their action in light of the Minnesota legislature's action on October 30 which substantially increased the State's share of public education expenses.
Minnesota *Minnesota Real Estate Taxpayers Association, et al. v. State of Minnesota, et al.*	Students from public schools in Traverse County, taxpayers from Traverse and two other Minnesota counties, and the Minnesota Real Estate Taxpayers Association.	The State of Minnesota; the Governor, Treasurer, and Auditor of the State of Minnesota; the Board of Education of Minnesota and its Commissioner; and the State Commissioner of Taxation.	Plaintiffs allege that the equal protection clause of the U.S. Constitution and the fundamental law of the State of Minnesota require the state to provide equal education to all children and to impose a substantially uniform burden upon all taxpayers; moreover, the state is required by its own Constitution to provide a thorough and efficient of public schools. Plaintiffs assert that education is a fundamental interest. And Plaintiffs claim that despite the above Constitutional requirements, the State has created a system for financing education which unconstitutionally discriminates against the poor in that (a) it makes the quality of education a function of the wealth of the children's parents and neighbors; (b) it makes the quality of education for school children in Minnesota the function of a geographical accident of the school district in which they live; (c) it fails to take into account the variety of educational needs of the school districts in the State of Minnesota; (d) it fails to provide children of substantially equal age, aptitude, motivation and ability with substantially equal educational resources; (e) it perpetuates marked differences in the quality of services, equipment and other facilities which exist among public districts in Minnesota. Plaintiffs-taxpayers claim they are required to pay a higher tax rate for school purposes than are taxpayers in wealthier school districts in order to provide the same or less expenditures per pupil.	Plaintiffs ask the court to declare that the plaintiffs have been denied their constitutional rights to equal protection and that the system for financing schools in Minnesota is unconstitutional and void. Plaintiffs further request that the defendants be temporarily and permanently enjoined from allocating public monies for the support of public education unless and until that system is restructured in a manner so as not to violate the equal protection clause of the U.S. Constitution and Articles 8 and 9 of the Minnesota State Constitution. Plaintiffs also ask the court to retain jurisdiction (upon granting the interim injunctive relief requested), pending action by the Minnesota State Legislature to restructure in a constitutional manner the method for financing schools in the State of Minnesota.	Same as Minnesota Federation of Teachers case, above, except that plaintiffs have not dismissed their action.

Missouri, Independence *Richard M. Troeh, Md. et al. v. William E. Robinson, et al.*	School children and their property taxpaying parents, all of Independence, Missouri.	The Attorney General and Treasurer for the State of Missouri; the State Board of Education and the Board's President, Vice-President and Secretary; the State Director of the Department of Revenue; the Independence School Districts; the Treasurer and the Collector of Revenue for Jackson County, Missouri.	Plaintiffs allege that the State constitution requires the State Office of Education to maintain a free system of public secondary and elementary education and that in maintaining said system the State is required by the U.S. Constitution to discharge its responsibilities on substantially equal basis for all children; and that in spite of these requirements, the defendants have created a system for financing public education which prevents equal education opportunity substantially equal to those enjoyed by children in school districts that are wealthier on a per pupil basis than the Independence Missouri school district. Plaintiffs additionally claim that the State law requiring a minimum of 180 school days in order for local districts to qualify for state aid discriminates against poor school districts.	Plaintiffs ask the court to declare the State system of financing public education to be unconstitutional in that it creates substantial disparities among the school districts as related to the amounts of revenue available for each student. Plaintiffs ask the Court to declare that the plaintiffs have been denied equal protection and that the State financing scheme is void. Plaintiffs further ask that the defendants be ordered to reallocate public monies available for education in a manner so as not to violate the equal protection provision of United States Constitution and the fundamental law and Constitution of Missouri. Plaintiffs further ask that the court retain jurisdiction of the action and to request the legislature to take, within a reasonable time, all steps reasonably feasible to make the school financing system comply with the U.S. and Missouri Constitutions. Plaintiffs further ask that the court direct the State Legislature to restructure the State financing scheme so as to provide equal educational opportunity. Plaintiffs lastly ask the court to declare unconstitutional the Missouri statute requiring a specified number of school days to qualify for State aid.	Complaint filed in Missouri Circuit Court for the Sixteenth Judicial Circuit on November 10, 1971.
New Jersey, Jersey City* *Robinson et al. v. Cahill et al.* * A similar New Jersey complaint was prepared, focusing on the problems of Newark, but apparently no action was taken on it.	The Jersey City Mayor; members of the City Council, the Board of Education and the Board of Estimate; a student of the Jersey City public schools and the student's parent (who is also a resident of Jersey City); ten taxpayers from Jersey City's county and a single taxpayer from another county in New Jersey.	New Jersey's Governor, Treasurer, Attorney General, Commissioner of Education; the New Jersey Senate (and its president); the New Jersey General Assembly (and its speaker).	Plaintiffs charge in a 16 count complaint that the State's system for financing public education is unconstitutional; because it makes the quality of education depend on the wealth of each district and not the state; because it places an unequal tax burden on the property owner who lives in low property value districts; because the public officials in these poorer districts are unable to provide equal educational opportunity; because minimum educational needs are not being met; because the delegation to the districts to run the schools was done without adequate standards; because the schools are not being maintained thoroughly and efficiently as required by the State Constitution; because school district boundaries deprive plaintiffs of the power to spend what they want on education; and because the current system promotes racial discrimination.	Plaintiffs ask the Court, among other things, to declare the current educational finance scheme unconstitutional and to order the defendants to restructure the scheme in a manner not violative of the U.S. and New Jersey Constitutions. Further, they ask the Court to order the defendants to change the boundary lines of the districts in a way that will equalize the amount of tax base per student and that will eliminate the complained of discrimination. Finally, the plaintiffs ask the Court to declare that the State's real estate tax is unconstitutional to the extent it is used for public school support, and to direct the defendants to enact laws equalizing those taxes on a State-wide basis.	Filed in early 1970 in the lower State Court of New Jersey. A full trial ensued, with final arguments held December 7. Parties are awaiting decision.
New York, Westchester County *Andrew Spano, et al. v. Board of Education of Lakeland Central School District #1*	A property owner and taxpayer, who lives in Westchester County.	The Lakeland School District; the Town of Yorktown; the Attorney General, Comptroller, and Commissioner of Taxation and Finance for the State of New York; The State of New York; and the Commissioner of the New York Education Department.	Plaintiff alleges that school districts, such as his, with small tax bases, cannot levy taxes at a rate sufficient to produce the revenue that more affluent school districts reap with minimal tax efforts. Plaintiffs claim that this imbalance violates the constitutional rights of school children to equal protection under the law. Plaintiffs further claim that the State school finance procedure is unconstitutional in that it requires him to pay proportionately more than his fair share of the burden for supporting education.	Plaintiffs ask the court to declare that the State procedure requiring villages, towns and cities, to raise necessary money for education in their localities violates the equal protection clause of the United States Constitution.	Complaint filed October 27, 1971 in the Supreme Court of the State of New York, County of Westchester.
Ohio, Franklin County *The Ohio Education Association, et al. v. John J. Gilligan, Governor of the State of Ohio, et al.*	The Ohio Education Association (a membership organization including 90,000 Ohio teachers) and Public Schools students and their taxpaying parents who are residents in the Reynoldsburg School District in Franklin County, Ohio.	The Governor, Auditor, and Treasurer of the State of Ohio; The Superintendant of Public Instruction for the State of Ohio; The State Board of Education for the State of Ohio; the Treasurer and Auditor of Franklin County; and the Superintendent of the Reynoldsburg School District for Franklin County.	The plaintiffs allege that the Ohio constitution requires that a system of common schools be established for Ohio children and that the equal protection clause of the U.S. Constitution requires the State to discharge its responsibility on a substantially equal basis for all children in the State. Despite these requirements the State has established a system for financing education which unconstitutionally denies plaintiff school children equal educational opportunity in that it (a) makes the education of school age children in Ohio a function of the wealth of their parents and neighbors, (b) makes the education of school age children a function of the geographical accident of the school district in which they reside; (c) provides students living in some school districts a material advantage over students in other school districts; (d) perpetuates marked differences in the extent of educational services, which exist among other public school districts; (e) uses school districts as the unit for allocation of funds despite the fact that they bear no reasonable relationship to the legislative purpose of providing equal educational opportunities.	Plaintiffs ask the court to declare the state system for financing education to be a denial of plaintiffs constitutional right to equal protection. Plaintiffs ask the court to retain jurisdiction, affording defendants and the legislature of the State of Ohio reasonable time to restructure the financing system so as to assure that expenditures for public education will no longer be a function of the wealth of school districts; and should defendants and the legislature fail to restructure the financing system within such a reasonable time, plaintiffs ask the court to regulate the collection of property taxes and opportionment of school funds in satisfaction of the obligations undertaken by the State of Ohio and its constitution in conformity with the equal protection clause of the U.S. Constitution.	Suit was filed in early December 1971 in the United States District for the Southern District of Ohio, Eastern Division.

Texas, Austin *Janell Guerra, et al. v. Preston H. Smith, Governor of the State of Texas, et al.*	Mexican-American children who go to public schools in two Texas school districts, and their parents, who are property taxpayers.	The Governor of Texas; the State Commissioner of Education; and the Texas State Board of Education.	Plaintiffs allege that the Texas and U.S. Constitutions require the State to maintain a school system on a substantially equal basis for all children in the State. Plaintiffs allege that the State has delegated this responsibility to local school districts and that it has allowed each school district to raise and retain money locally, despite the fact that there are substantial disparities among the school districts with respect to their tax base per pupil. As a direct result of this financing scheme, plaintiffs allege that substantial disparities exist in the amounts of dollars spent per pupil in the various school districts. Plainttiffs claim that the State's financing scheme denies their constitutional right to equal educational opportunity in that it: (a) makes the quality of education a function of the wealth of the children's parents and neighbors, as measured by the tax base of their school district; (b) makes the quality of education a function of the geographical accident of the school district in which plaintiffs reside; (c) fails to take into account the variety of educational needs of the several school districts and of the children therein; (d) provides students living in some school districts material advantages over students in other school districts; (e) fails to provide children of substantially equal age, aptitude, motivation and ability with substantially equal educational resources; (f) perpetuates marked differences in the quality of educational services among the school districts in the State; (g) provides relatively inferior educational opportunity to a disproportionate number of Mexican-American and Negro school children. Plaintiff-taxpayers claim that as a direct result of the State school finance system they are required to pay higher tax rates than taxpayers in other school districts in order to achieve the same or lesser educational opportunities for their children.	Plaintiffs ask the court to declare that they have been denied equal protection of the laws and that the Texas school finance system is void under the U.S. and Texas Constitutions.	Suit was filed January 28, 1969 in the U.S. District Court for the Western District of Texas, Austin Division. Defendants moved to dismiss in late 1969, and on July 20, 1971 the Court ordered dismissal of the case for failure to state a claim on which relief could be granted. The case is now on appeal before the U.S. Court of Appeals, Fifth Circuit. Briefs have been submitted and oral argument is scheduled for February, 1972.
Texas, Fort Worth, Dallas and Houston *Forth Worth Independent School District et al. v. Dr. J. W. Edgar, Commissioner of Education of the State of Texas et al.*	The school districts of Fort Worth, Dallas, and Houston and students and parents from each of these three districts.	The State Board of Education and its Commisssioner.	Plaintiffs allege that the operation of the State's foundation plan is illegally and unconstitutionally exacting the amount of the local contribution from plaintiff school districts. The State's minimum foundation statute requires that the local contribution be calculated according to its taxpaying ability, and plaintiffs claim that their contribution has not been calculated in that manner, but rather, in a manner that is not uniform and which discriminates against them and which, therefore, violates both their rights to equal protection and to due process under the U.S. Constitution and their rights under the fundamental laws and Constitution of Texas.	Plaintiffs ask the Court to declare the manner by which local taxpaying ability is determined to be unconstitutional and to order the defendants to calculate uniformly local contributions to minimum foundation grants on the basis of each local district's taxpaying ability.	Filed in the U.S. District Court, Northern District of Texas, Fort Worth Division. Now pending before a 3 judge court.
Texas, San Antonio *Demetrio P. Rodriquez, et al. v. San Antonio Independent School District, et al.*	Public school children and their taxpaying parents in the Edgewood Independent School District area which is located within the city limits of San Antonio, Bexar County, Texas. All of the plaintiffs are Americans of Mexican descent.	The Texas State Board of Education and its Commissioner; the Attorney General of the State of Texas; the Bexar County School Trustees; and the Eight School Districts located in the City of San Antonio, Texas.	Plaintiffs allege that the Texas Constitution requires the State to support a free public school system. Plaintiffs allege that the system established by the State to support free public education denies them equal educational opportunity in that (a) it makes the quality of education received by the plaintiffs a function of the wealth of their parents and neighbors as measured by the property values of the school district in which they reside; (b) it provides students, living in school districts other than Edgewood, with material advantages for education; (c) it provides plaintiffs, who are of substantially equal age, aptitude, motivation and ability with substantially inferior educational resources than children in defendant school districts other than Edgewood; (d) it perpetuates marked differences in the quality of educational services; (e) it discriminates against Mexican-American school children.	Plaintiffs ask the court (a) to declare that the State's system for financing schools has denied them equal protection of the laws of the United States and Texas Constitutions and is therefore void; (b) to preliminarily and permanently enjoin the enforcement of those Texas statutes which establish the State's system for financing schools; (c) to retain jurisdiction of this action, affording defendants and the legislature a reasonable time in which to restructure the school finance system so as to provide substantially equal educational opportunity as required by the Equal Protection Clause of the Fourteenth Amendment to the United States Constitution and Article I, Section 3 of the Texas Constitution; (d) alternatively, to order that the defendant school districts in Bexar County be abolished and that the County School Trustees establish new boundary lines for school district or districts of approximately equal taxable property per child.	Suit was filed in the fall of 1969 in the United States District Court of the Western District of Texas, San Antonio Division. The three-judge court was empanelled and on October 15, 1969 it overruled the defendants' motion to dismiss. Action on the case was delayed in 1969 and 1970 by the court because revisions to the State's system for financing schools were then under consideration by the Texas Legislature. Action commenced in mid-1971, when the Texas Legislature failed to act, and on December 23, 1971, the court declared the Texas system unconstitutional and ordered that it be corrected by 1973.

Virginia, Bath County *Burrus et al. v. Wilkerson et al.*	Students in public schools of Bath County; taxpayers in Bath County.	Public school and finance officials of the State of Virginia; Clerk of the House of Delegates of Virginia.	Plaintiffs claim that they are denied equal protection of the law by state laws creating substantial disparities in quality of, and facilities for, education provided in Bath County as compared to other areas of the state. Students and taxpayers of Bath County, where 46% of the residents earn less than $3,000 a year, request an end to educational discrimination related to their poverty. They allege that the education finance system discriminates against them by preventing them from the raising of local tax revenues adequate to provide minimal educational opportunity even while their tax rates are set at the legal ceiling. In addition, they allege discrimination in that the state's educational aid supplements are related to the locality's education spending from local tax sources, a factor actually *increasing* total education resource disparities between school districts. Plaintiffs further allege that the system fails to take into account the added costs necessary to provide substantially equal educational opportunities—buildings, equipment, teachers, books, curriculum—in their rural areas. They state that the Virginia legislature has not made positive attempts to deal with expenditure disparities within the state.	Plaintiffs ask the Court to declare the state formulae for apportionment of education monies unconstitutional and to retain jurisdiction of the action in order to give the legislature a reasonable time to reapportion funds in such a way as to meet equal protection requirements and to direct reapportioning if the legislature fails to act.	A three-judge federal court in the Western District of Virginia dismissed the case, citing the *McInnis v. Ogilvie* decision. The U.S. Supreme Court summarily affirmed the district court opinion.
Wisconsin, Milwaukee *Justus A. Stovall, et al. v. City of Milwaukee, et al.*	Public School children and their taxpaying parents from the City of Milwaukee.	The City of Milwaukee and its Mayor, School Board and Superintendent of Schools; the County of Milwaukee; the State of Wisconsin, and its Governor, Attorney General, and Superintendent of Public Instruction.	Plaintiffs allege that the Wisconsin statute authorizing the financing of public schools for the State of Wisconsin creates a system which relies in large part on local property tax and that the financing scheme causes substantial disparities among individual school districts in the amount of revenue available per pupil for each district's educational programs. Plaintiffs claim that this financing system fails to meet the requirements of the equal protection clause of the Fourteenth Amendment in that (a) it makes the quality of education for school age children a function of the wealth of their parents and other tax payers in their school district; (b) it makes the quality of education a function of the geographic accident of the school district in which children reside; (c) it fails to take account of the variety of educational needs of school districts; (d) it provides students living in some school districts with material advantages over students in other school districts; (e) it fails to provide children of substantially equal age, aptitude, motivation, and ability with equal educational resources; (f) it perpetuates marked differences in the quality of educational services available to school districts; (g) it uses a unit (school districts) for allocation of educational funds which bears no reasonable relationship to the state legislative purposes for providing equal educational opportunity; (h) it creates a system in which numerous minority children reside in school districts which provide relatively inferior educational opportunity; (i) it creates a situation in which plaintiff-taxpayers are required to pay a higher tax rate than taxpayers in other school districts in order to obtain the same or lesser educational opportunity for their children.	Plaintiffs ask the court to declare that the system for financing public schools in Wisconsin is unconstitutional and void under the equal protection clause of the U.S. Constitution. Plaintiffs ask the court to enjoin the defendants from enforcing the present system for raising and distributing funds for education.	Summons was filed in the Wisconsin Circuit Court for Milwaukee in late November, 1971. Defendants have 20 days to demand a copy of the complaint after service of the summons.
Wisconsin, Racine *Bellow et al. v. the State of Wisconsin et al.*	Students in public school and their parents.	State of Wisconsin, its Treasurer, and the Superintendent of Public Instruction.	Plaintiffs allege that as a result of the delegation of the power to tax to various state subdivisions created without uniformity of tax base, and the manner of appropriation to the various divisions of sums of money in the state school fund, substantial disparities exist in the quality and extent of public education available in the several school districts of the state. They also allege that state aid fails to compensate to any extent for substantial differences in needs of the school districts, for the varying conditions of school facilities, or for the varying costs of those districts, particularly the extreme expense of providing educational opportunities to those children who live in the extremely disadvantaged urban areas.	Plaintiffs ask that the legislature be given reasonable time to reapportion school districts and that the court make appropriate apportionment of state funds if the legislature fails to act.	Filed in 1969 in Wisconsin State Court (Dane County Circuit Court). Prosecution of the suit has been delayed indefinitely due to lack of funds.

[a]Additional suits are reputed to have been filed in Florida, Georgia, Massachusetts, New Hampshire, New York, and Wisconsin. Pleadings from these additional suits have not yet been received by the Lawyers' Committee.

Information provided by The Lawyers' Committee for Civil Rights Under Law, Washington, D. C.
Additional information can be obtained by writing to:
The Lawyers' Committee for Civil Rights Under Law, 733 15th Street, N W , Room 520, Washington, D. C. 20005

January 1972

* U.S. GOVERNMENT PRINTING OFFICE : 1972 O - 456-048